

IMPROVING GOVERNMENT ORGANIZATION AND PERFORMANCE

Y 4. G 74/9: S. HRG. 103-401

Improving Government Organization a...

HEARING

BEFORE THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

MARCH 11, 1993

Printed for the use of the Committee on Governmental Affairs



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IMPROVING GOVERNMENT ORGANIZATION AND PERFORMANCE

THURSDAY, MARCH 11, 1993

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 9:32 a.m., in room SD-342, Dirksen Senate Office Building, Hon. John Glenn, Chairman of the Committee, presiding.

Present: Senators Glenn, Levin, Pryor, Lieberman, Dorgan, Roth, Stevens, Cochran and McCain.

Also present: Senator Kerrey.

OPENING STATEMENT OF SENATOR GLENN

Chairman GLENN. The hearing will be in order.

This morning, the Committee on Governmental Affairs meets to consider the critical issue of improving the performance and organization of the Federal Government, a giant task, if there ever was one.

At the same time I say it is a giant task, I also would say it is a very unique opportunity, because rarely in our history have calls for government reform come together in such a positive way. We now have what may be just the right mix of political consensus and public pressure to successfully overhaul the government.

Americans voted for change last November, and the need to change government is one reason why. There is a profound feeling in the country that government has not been doing its job—not just that tax dollars are wasted, but that government cannot be counted on to help improve the Nation's future or to support the current aspirations of ordinary Americans. This leads to the obvious question of whether the present government organization can operate effectively in these days.

Thus, I commend President Clinton for making a bold beginning, for proposing an economic plan that focuses on investment and the future, and for establishing a task force under the direction of Vice President Gore to eliminate wasteful spending and streamline Federal programs.

Indeed, the Vice President's National Performance Review is perfectly complementary to the efforts that this Committee has long been involved with, namely, the creation and support of inspectors general and chief financial officers to fight waste and to improve accountability for financial and general management.

The public demands we do more, and rightly so, and that is what today's hearing is about. While Congress and the public hope the

President can take advantage of a 6-month government-wide performance review, many of our problems are more complicated and more substantial. They can only be solved through a comprehensive and collective approach using the talents and experience of both the Executive and Legislative Branches.

This broader effort is embodied in the four government reform commission bills now before this Committee: S. 15 was introduced by Senator Roth; S. 255 was introduced by Senator Campbell; S. 432 introduced by Senator Lieberman and cosponsored by Senator Kerrey, who we are pleased to have with us today; and S. 101, my bill, to establish a bipartisan commission to recommend changes and to write legislation to streamline and reorganize government to better focus on our Nation's needs.

In addition to these commission bills, the Committee has before it Senator Krueger's legislation, S. 436, to statutorily create a government-wide performance review, like the President's, and Senator Reid's sunset bill that would require periodic reauthorization of Federal programs. Indeed, we are pleased to have Senator Reid who is going to be testifying before the Committee today.

A number of years ago this Committee did a lot of work on the sunset and zero-based budgeting concepts and passed legislation through the Senate, but failed to get House agreement. At the beginning of this year, I asked the staff to review those previous efforts with a view toward implementing them now, so I am particularly glad to have Senator Reid's bill before us.

Each of these pieces of legislation will be considered by the Committee and will contribute much to our deliberations.

I am sure we are all a bit suspicious of grand plans and commissions. Grand plans and commissions, how many we have heard of. Too many of them have come and gone, leaving behind dashed hopes and recommendations collecting dust on many, many shelves. But every now and then, the time is right.

The time was right 45 years ago, when a commission led by former President Herbert Hoover successfully streamlined a government grown too large and disorganized through the trials of the Great Depression and later World War II. Many of the changes recommended by the Hoover Commission were approved by the Congress, and they were approved because of a consensus that we needed a more effective government for what was clearly a changing world.

I believe the time is also right today. All of us are well aware that our Nation and our world are changing rapidly. And we are equally aware or should be aware that a government still largely organized for the Great Depression and later the Cold War cannot possibly help America meet the challenges of today or of the future.

Farming has been completely transformed in the past half-century. Yet, the Agriculture Department still retains an office, sometimes several offices, in nearly every county in the Nation. Job training and development is of paramount importance to America's retaining a competitive edge in a global economy, but our citizens must wade through a bewildering array of 125 different job programs funded from 48 different sources in 14 different agencies, just to try to get help.

Now, does this mean we go to a more mission oriented-type organization of government? I do not know, but I know that we are not doing the proper job when we have an organization like this in government right now. That is just one example.

I know, as I am sure my colleagues know, that reforming the government historically has proven to be very, very difficult. And while a credible effort by a commission will by its nature be controversial, this does not relieve us of the obligation to improve the government's performance of its responsibilities to its citizens.

I believe a commission, with a mechanism to ensure congressional action on its recommendations, can do much for long-term reform. I also believe, however, that there is much to be done now. In addition to continuing the work begun by the Inspectors General and Chief Financial Officers Acts, we can institute reforms for which there already exists a consensus.

One such initiative would improve the performance of Federal programs, and is an effort that is critical to restoring government's public credibility. To his credit, Senator Roth has long been a leader in submitting legislation in this area, and I think that S.20, which is the result of our work together over the past year or so in this Committee, will help bring a more meaningful and effective approach to the role and responsibilities of government. S.20 unanimously passed the Senate in the last Congress, and I am certain it will pass again. We look forward to working with the House and the administration to quickly enact this important bill.

With us this morning to testify is our colleague Senator Harry Reid from Nevada. He will be followed by the Honorable Leon Panetta—although Leon may be a little late, he is over in the House testifying this morning and may not be here until about 10:30, so we may change the order a little bit. But if he arrives, we will take him on. He is Director of the Office of Management and Budget, of course, and he will discuss the new National Performance Review, as well as our longer-term commission proposals and our performance measurement legislation, S. 20. Also testifying is the Honorable Charles Bowsher, Comptroller General of the United States, who has appeared before our Committee many, many times.

Our final panel has Mr. David Osborne, author of "Reinventing Government," Mr. Martin Gross, author of "The Government Racket: Washington Waste From A to Z," and Professor Peri Arnold of the University of Notre Dame, who is an expert on the history of Executive Branch reorganization.

So we welcome you all this morning and look forward to your testimony this morning.

PREPARED STATEMENT OF SENATOR GLENN

This morning, the Committee on Governmental Affairs meets to consider the critical issue of improving the performance and organization of the Federal Government.

We have a unique opportunity. Rarely in our history have calls for governmental reform come together in such a positive way—we now have what may be just the right mix of political consensus and public pressure to successfully overhaul the government.

Americans voted for change last November, and the need to change government is one reason why. There is a profound feeling in the country that government hasn't been doing its job—not just that tax dollars are wasted, but that government cannot be counted on to help improve the Nation's future or to support the current

aspirations of ordinary Americans. This leads to the obvious question of whether the present government organization can operate effectively in these days.

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Yet, the public demands we do more. And that is what today's hearing is about. While Congress and the public hope the President can take full advantage of a 6-month government-wide performance review, many of our problems are more complicated and substantial. They can only be solved through a comprehensive and collective approach using the talents and experience of both the Executive and Legislative Branches. This broader effort is embodied in the four government reform commission bills now before this Committee:

- S. 15, introduced by Senator Roth;
- S. 255, introduced by Senator Campbell;
- S. 432, introduced by Senator Lieberman, and co-sponsored by Senator Kerrey, who we are pleased to have with us today; and
- S. 101, my bill to establish a bipartisan commission to recommend changes, and to write legislation to streamline and reorganize government to better focus on our Nation's needs.

In addition to these commission bills, the Committee has before it Senator Krueger's legislation (S. 436) to statutorily create a government-wide performance review (like the President's), and Senator Reid's sunset bill that would require periodic reauthorization of Federal programs—indeed, we are pleased to have Senator Reid here today to testify before the Committee.

A number of years ago, this Committee did a lot of work on the sunset and zero based budgeting concepts, and passed legislation through the Senate, but failed to get House agreement. At the beginning of this year, I asked the staff to review those previous efforts, with a view toward implementing, so I'm particularly glad to have Senator Reid's bill before us.

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The time is also right today. All of us are well aware that our Nation and our world are changing rapidly. And we are equally aware—or should be aware—that a government still largely organized for the Great Depression and later the Cold War cannot possibly help America meet the challenges of today or of the future.

Farming has been completely transformed in the past half-century, yet the Agriculture Department still retains an office, sometimes several offices, in nearly every county in the Nation. Job training and development is of paramount importance to America's retaining a competitive edge in a global economy, but our citizens must wade through a bewildering array of 125 different job programs to get help.

I know, as I am sure my colleagues know, that reforming the government historically has proven to be very difficult. And while a credible effort by a commission will by its nature be controversial, this does not relieve us of the obligation to improve the government's performance of its responsibilities to its citizens.

I believe a commission—with a mechanism to ensure congressional action on its recommendations—can do much for long term reform. I also believe, however, that there is much to be done now. In addition to continuing the work begun by the IG and CFO Acts, we can institute reforms for which there already exists a consensus.

One such initiative would improve the performance of Federal programs, and is an effort that is critical to restoring government's public credibility. Senator Roth has long been a leader in submitting legislation in this area and I think that S. 20, which is the result of our work together on the Committee, will help bring a more meaningful and effective approach to the role and responsibilities of government.

S. 20 unanimously passed the Senate in the last Congress, and I am certain it will pass again. We look forward to working with the House and the Administration to quickly enact this important bill.

With us this morning to testify is our colleague, Senator Harry Reid from Nevada. He will be followed by the Honorable Leon Panetta, director of the Office of Management and Budget, who will discuss the new National Performance Review, as well as our longer-term commission proposals and our performance measurement legislation, S. 20. Also testifying is the Honorable Charles Bowsher, Comptroller General of the United States, who has appeared before our Committee many times. Our final panel has Mr. David Osborne, author of "Reinventing Government," Mr. Martin Gross, author of "The Government Racket: Washington Waste From A to Z," and Professor Peri Arnold of the University of Notre Dame, who is an expert on the history of Executive Branch reorganization. We welcome you all.

Senator GLENN. At this point, without objection, I wish to place in the record a summary of my bill, S. 101, Executive Organization Reform Act. Also, without objection, we will place in the record an opening statement by Senator Sasser on performance review, and a statement by Senator Sasser with comments about the Corps of Engineers.

SUMMARY OF EXECUTIVE ORGANIZATION REFORM ACT—S. 101

PURPOSE—S. 101 would establish a National Commission on Executive Organization Reform to:

- (1) Develop criteria for reorganizing the Executive Branch;
- (2) Propose agency reorganizations, including consolidations or eliminations of agencies;
- (3) Propose program reorganizations, including consolidations or eliminations of programs; and
- (4) Propose improvements in the capacity and performance of the Executive branch in accomplishing its missions.

MEMBERSHIP—The bipartisan commission would have 12 members:

- 4 appointed by the President (2 of a different political party)—the President also designates 1 member as Chair;
- 2 appointed by the Speaker of the House (1 must be a Representative);
- 2 appointed by the Senate Majority Leader (1 must be a Senator);
- 2 appointed by Minority Leader of the House (1 must be a Representative); and
- 2 appointed by the Minority Leader of the Senate (1 must be a Senator).

REPORT AND TIMING—Within 18 months of its first meeting, the Commission provides reform recommendations, including necessary statutory language. The report is transmitted to the President who approves or disapproves it. If President approves, report goes to the Congress. If President disapproves, he notifies Congress of objections. The Commission may revise report to address Presidents objections, and then transmits final report to the Congress. The Commission may include recommendations to which the President objects.

Twenty session days after Congress receives the final report, a joint resolution containing the Commissions recommendations becomes the pending business. It must be considered on an expedited basis, with no amendments possible.

PREPARED STATEMENT OF SENATOR SASSER

Thank you, Mr. Chairman. I appreciate our panelists taking time out of their schedules to appear before the Committee for the second time this year. If there is a cause that merits their continued involvement with the Committee, this is certainly it.

I congratulate the Chairman and Ranking Member, Senator Roth, for addressing the important issue of performance review. and for doing it, I might add, long before performance review was a national topic of any significance.

I am excited about the possibilities for genuine reform that are available to Vice President Gore and the National Performance Review he is undertaking. He would do well to follow closely today's proceedings with an eye toward benefitting from this Committee's experience.

I look forward to today's testimony as do all who are interested in making government more efficient. I am anxious to hear what Mr. Panetta has to say about the concept of performance budgeting.

While I'm somewhat skeptical about any overnight cures for the budget process, I will listen with an open mind to any new ideas that might emanate from today's hearing. Having spent all day yesterday in the Senate Budget Committee's markup, I assure you there is room for improvement in the way Congress makes spending decisions.

Thank you, Mr. Chairman.

COMMENT TO MR. BOWSHER ABOUT THE CORPS OF ENGINEERS

General Bowsher, I appreciate your being here this morning to share your experience about ways to make our government more efficient.

It has been brought to my attention that one way to consolidate one area of government and reduce some significant duplication of services may be to remove the civilian branch of the Army's Corps of Engineers into the civilian sector of government, possibly into the Department of the Interior.

As you know, the Corps of Engineers are already the Chief Engineers for the Federal Government. In my home State of Tennessee, the Corps did the design and construction of a number of locks for the Tennessee Valley Authority. They are also experts in hazardous waste clean-up. All over the country they perform clean water studies, set up erosion control systems, maintain intercoastal waterways, and carry out hundreds of other important tasks.

During this time when we are searching for ways to make our government more efficient, I believe that converting the civilian branches of the Army Corps of Engineers into a national Corps of Engineers is an idea worth considering. Why should government agencies have to contract with the Army to perform essentially civilian tasks?

I would appreciate your taking the time to consider such a proposal and I look forward to working with you in the near future.

Chairman GLENN. Senator Roth.

OPENING STATEMENT OF SENATOR ROTH

Senator ROTH. Thank you, Mr. Chairman.

First of all, Mr. Chairman, I want to congratulate you for holding what I consider could well be the most important hearings on the most important action taken by Congress in its present term.

I know there is a lot of debate about should we raise taxes or not, should we raise spending or cut spending. But what the American people are interested in is in better government. They see government as the problem, rather than solution, and what they want is reform. The real question I think before us today, the key question before us today is whether or not, to borrow a phrase from Dr. Osborne, do we have the courage to reinvent government.

The problem with government today is that for every program we create a new bureaucracy, layers of bureaucracy which become mired down in regulations, rules and process, when the real question should be service, service to our constituents, our customers. That is what these hearings are all about. We have got to make radical change.

Mr. Chairman, like you, I congratulate the President and our Vice President on the steps that were taken last week to bring about an audit of our various departments and agencies with the goal of bringing improvement and efficiency.

It is a critical step, it is a positive step, because it means that action can take place now, and I look forward, as I know as do you, in working with the administration, with our former colleague Al Gore on this most important matter.

But complementary to that action is the need to make radical restructuring of government itself, and that is not going to come about by frittering around the edges. It is only going to come about if we have the courage first here in this Committee and then in the Congress itself to take the kind of radical steps that so many of us have been talking of in the past months and years.

As I say, people want better service, and with modern technology, with modern communications which are unlimited and instantaneous, it means that we can vastly change the way of government does business, just exactly like is happening in the private sector.

First of all, we ought to be judging our Federal employees by their performance. We ought to reward with bonuses those who are succeeding in bringing about the kind of results we want in giving service to the people back home.

There is no reason in today's world for our customer, our clients, the constituents to be separated by layers of bureaucracy, with current means of communication. We ought to be able to bring them together so that there can be one stop, simplify.

As I said, this should not only be in the interest of our constituents, but we ought to be able to downsize government through attrition, not by letting anyone go, and by downsizing we should make the Federal Government a more attractive place to work. I see us changing our civil service rules, in an effort to better pay those who are succeeding in achieving the results we want from our programs.

Mr. Chairman, let me briefly mention the two pieces of legislation. I thank you for your gracious remarks with respect to S. 20, the legislation to create performance goals, which is critical legislation, because, as I said, we have got to begin judging programs by the results, by the service to constituents, by their performance, rather than red tape and bureaucracy. We have a rule, as you know, in every agency of government for every situation, to make sure nobody gets blamed, rather than concentrating on service.

So I am appreciative and look forward to that piece of legislation being reported out and enacted.

I cannot stress too much, however, the importance of a commission. If we are going to make the major structural strategic changes in the way government does business, it is going to take a bipartisan commission.

Let me say that wanting to be efficient is not a partisan issue, but one that we all share on both sides of the political aisle. For that reason, it is critically important that the commission truly be bipartisan, just as the commission was created by President Truman when he appointed former President Hoover as its chairman.

Secondly, it is important that the commission result in action. The people are tired of commissions that result in no action and, unfortunately, that has been the history in the recent past.

It is for that reason, in my piece of legislation I would make the recommendations of the commission go into effect, unless the Congress within the time limit passed a resolution of disapproval. But I strongly agree with you, Mr. Chairman, that it is critically important, if we are going to get anything major done, that we require

action by the Congress in the form recommended by the commission.

Mr. Chairman, I think we have a great opportunity here. As I said, the question is before us because of our dire fiscal situation. We must do better with the funds we already have available. We have a great opportunity here. I think what this Committee does will in many ways tell whether or not this Congress is going to be successful in addressing the problems of the new century.

Thank you, Mr. Chairman.

Chairman GLENN. Thank you, Senator Roth.

As always on the Committee, we call on people in order in which they showed up, the early bird rule here.

Senator Levin.

OPENING STATEMENT OF SENATOR LEVIN

Senator LEVIN. Thank you, Mr. Chairman.

Mr. Chairman, the drive for efficiency in government and the drive against wasteful practices in Federal programs is an effort which is a bipartisan effort. Partisanship dissolves when it comes to this issue, and that is why a Committee like ours, which spends so much time on this kind of an issue operates so frequently in a bipartisan manner. Frankly, I have enjoyed my service on this Committee, because of that fact.

A large part of my 14 years in the Senate has been spent fighting wasteful government practices. A Subcommittee of which I chair and on which Senator Cohen is the ranking member has tackled a number of significant management issues. We fought to bring inventory practices of the Department of Defense up to date with commercial inventory practices.

Just last year, we were able to reduce the budget for the purchase of excess supply items by \$3 billion. We have enacted a number of procurement reforms, including the requirement of warranties on products that we purchase, and the greater use of commercial products.

We have established a program, when Senator Cohen was the chairman of our Subcommittee, to reduce the wasteful practices of hurry-up spending, the year-end spending which costs us so many hundreds of millions of dollars, and we adopted at that time a Competition in Contracting Act, which is now the law.

We have gotten government-wide debarment and suspension procedures implemented for fraudulent or misperforming contractors. We have addressed the wasteful practices of sole-source procurement, by forcing our contracts to be competitively let in most situations.

We have enacted stronger protections for government employee whistleblowers, in the hopes that they will feel freer to identify wasteful practices in their own agencies.

The list goes on, and everybody on this panel probably has a similar list of efforts that they have been involved in to reduce waste and improve government management.

The reason that I give these examples is because I know first-hand that success can be had. But I also know that it takes blood and sweat and the expenditure of political capital to achieve them.

There is no silver bullet which can win the endless war on waste that must be waged in any large entity, including government.

It is hard work to identify the problems, to properly expose them, to get the attention of and hope for the cooperation of the subject agencies, to identify appropriate solutions, to get those solutions adopted and implemented. You have got to press and press and follow up, and then you have got to press and press and follow up some more.

Today, we are going to consider a number of important proposals to change the way Federal programs operate and to make them more efficient and effective. We undertake this, knowing that our goal can only be accomplished, as our Chairman and ranking member have said, with real effort.

Ross Perot at an early point last year, before he pulled out of the presidential race, said that he could cut hundreds of billions of dollars from Federal programs, without working up a sweat. He then hit the books, and when he reemerged with his charts, the truth was obvious. It takes a lot of sweat to make significant savings. But a larger truth is also obvious. The effort is well worth it, and it is essential that we make it and succeed, if we are going to have a healthy economy.

I want to congratulate you, Mr. Chairman, and Senator Roth and the other members of this Committee and all those who are sticking to this effort. It is going to take a lot of stick-to-it-iveness for this to succeed.

PREPARED STATEMENT OF SENATOR LEVIN

Mr. Chairman, no one wants waste or mismanagement in any federal program. Everyone wants an efficient and effective federal government. Those are issues on which partisanship evaporates and that's why a Committee like ours, which spends so much time on these matters, operates so frequently in a bipartisan manner. And I've enjoyed my service on this Committee because of that fact.

A large part of my 14 years in the Senate has been spent ferreting out waste, fraud and abuse and trying to institute management reforms. The Subcommittee on Oversight of Government Management which I've had the privilege of chairing or on which I've served as Ranking Member since its beginning, has tackled numerous significant management issues:

- We have fought to bring the inventory practices of the Department of Defense up to date with commercial inventory practices and, just last year, reduced the budget for the purchase of excess supply items by over \$3 billion.

- We enacted a number of defense procurement reforms, including requiring warranties on the products that we purchase and forcing greater use of commercial products instead of designing items from scratch with costly military specifications.

- We established a program, when Senator Cohen was chairman, to reduce the wasteful practices of hurry-up or year-end spending, and we adopted a competition in contracting act.

- We got government-wide debarment and suspension procedures implemented for fraudulent or misperforming contractors.

- We addressed the wasteful practices of sole-source procurements by forcing our contracts to be competitively let in most situations.

- We stopped the establishment of an unnecessary research and development center for Star Wars.

- We've enacted stronger protections for government employee whistleblowers, in the hopes that they will feel free to identify wasteful practices.

- We've made the Commerce Department and Customs Service improve the management of how they collect duties.

The list goes on. Everyone else on this panel probably has a similar list of efforts they have been involved in to reduce waste and improve government management.

Successes can be had, but it takes blood, sweat and the expenditure of political capital. There is no silver bullet that can win the endless war on waste that must be waged in any large entity. It's hard work to identify the problems, properly ex-

pose them, get the attention of and hopefully the cooperation of the subject agencies, identify appropriate solutions and get those solutions adopted and implemented. You have to press and press and follow-up and press and press and follow-up.

Today we'll consider a number of new ways to make our federal programs more efficient and effective, knowing that our goal can only be accomplished with real effort.

Ross Perot at an early point last year, before he pulled out of the race, said he could cut 100's of billions of dollars from federal programs without working up a sweat. He then hit the books and when he re-emerged with his charts, the truth was obvious. It takes a lot of sweat to make significant savings. But a larger truth is also obvious—the effort is well worth it, indeed it is essential to our economic health.

Chairman GLENN. Thank you.

I would just say, in introducing Senator Dorgan, while he is new to this Committee, he is not new to this subject. He was in the House before he was elected to the Senate and was head of a task force in the House that resulted in publication of a booklet that I know many of you saw the President campaigning with last fall, in which he pointed out some of the things Senator Dorgan had put in that publication, and he is going to be doing some special work for us on this Committee which we will announce in a few days. We are glad to have him on this Committee, because he is very experienced in this particular area.

Senator Dorgan.

OPENING STATEMENT OF SENATOR DORGAN

Senator DORGAN. Mr. Chairman, thank you very much.

I will be mercifully brief. I know we want to get to the agenda. I have spent about 18 months chairing a task force to look at government waste, but I recognize full well that the issue is not just what waste, but what works, and that is pretty much what we are talking about today, how do we make government work better and effectively deliver services to the American people.

Let me just give you one piece of information that I think describes our dilemma. In approximately the past decade, we have lost about one-third of our farm population. In other words, farm population, according to USDA statistics, has decreased by about 33 percent in the past decade, and the number of people working in the ASCS offices running the farm program has increased 24 percent. Restated, we have lost about a third of our farm population and increased by about one-fourth the number of people running the farm program at almost exactly the same time.

I cannot think of anything that better describes the dilemma we face and the desperate need to reform the way we do things in the Federal system. And we have got some wonderful witnesses, including an old friend, David Osborne, and others, and I am anxious to hear them.

Mr. Chairman, thank you for calling this hearing.

PREPARED STATEMENT OF SENATOR DORGAN

Mr. Chairman, thank you for scheduling this hearing and for your leadership in trying to improve the way that government works. I look forward to working with you on this important issue.

As the Chairman of the Task Force on Government Waste in the House of Representatives during the last session of Congress, I worked to bring to light more than \$60 billion in government waste. Our Task Force found wasteful overhead spending, costly management failures, unnecessary duplication, and other problems in federal program spending. Many of these have been taken up by the Clinton Ad-

ministration, most notably efforts to streamline government and cut overhead costs. The Administration is also acting on my proposal that we eliminate unnecessary or outdated advisory commissions. However, there is much work to be done based on our findings.

I don't want my passion for making government more efficient to be confused with undermining the motives or performance of the thousands of qualified, hard-working public servants who make our government work. I know there are many areas in our government that are success stories.

But I also know where government fails, where it does not well serve the public. This hearing is not about undermining government or bashing civil servants. It is about doing better.

And I want to emphasize that we can do it now. I am the first to acknowledge that this problem needs careful attention and thoughtful consideration, and the final solution may not be immediate. But we can make some real improvements in this area today.

I want to propose a 3-pronged approach to dealing with the issue of improving government management and eliminating government waste. First, we should take immediate steps to eliminate the waste that we know exists in the federal government. For example, the Task Force on Government Waste identified \$2.5 billion that could be saved by reducing the inventory stockpiles that the Department of Defense accumulates. That inventory includes 1.2 million bottles of nasal spray and 40,000 40-year-old glass "needle protecting" tubes made obsolete by disposable needles.

GAO and military audit agencies have repeatedly documented inventory management problems at the Defense Department, but the problems persist. In my view, we can save \$2.5 billion in one easy step: we can stop buying and stockpiling unnecessary equipment. We don't have to wait for another study to tell us this—we know the problem, and we can fix it today.

Did you know that there are 238 federal advisory committees beginning with the letter "A"? There is no way, in my judgment, that all of these advisory committees can be making valuable contributions to policy debates. We can act now to eliminate those committees that we just don't need.

Second, we need a short-term program to review and evaluate our government's effectiveness and ineffectiveness. That is a principal focus of this hearing, and I am pleased that President Clinton and Vice President Gore have also made this issue a top priority. Their performance audit review program is key to addressing the important problem of managing our government.

I also want to commend Senator Roth, the Chairman, and others who have worked hard to draft the Government Performance and Results Act. I've reviewed your proposal and want to be included as a co-sponsor of this progressive legislation.

At the same time, however, I want to emphasize that this bill is a good first step in evaluating government. We need to work quickly to identify the goals and performance standards that would apply to each agency. We need to work quickly to extend this act across government.

When we talk about performance audits and reviews, we have to be careful that we don't confuse efficiency with cost-shifting. If a federal program succeeds only in shifting its costs to the state, it hasn't succeeded. And if a program succeeds only in deferring costs to be paid at a later date, or by another generation, we have failed in our efforts to be more efficient.

Finally, we need to make a long-term investment in reinventing government. One dollar of every \$5 spent by the government is for overhead. It is not for programs, benefits, or services. It is for bureaucracy, and it could be better spent.

I have co-sponsored the Chairman's bill to establish a commission to look at the way government operates. This commission would make recommendations about the difficult issues of government management, including improving service delivery and the performance of federal agencies.

We know that some of these tough questions can't be answered overnight, and we need to establish a system that we can use to look at permanent solutions to these pressing problems. But the important point is that we can't afford to wait on solving the problems and implementing the solutions that we know about—we can act now.

I'm excited about the efforts of this Committee and the Clinton Administration to tackle government waste and inefficiency head-on as a top priority. I look forward to working together on this critical issue. Thank you.

Chairman GLENN. Thank you very much.
Senator Lieberman.

OPENING STATEMENT OF SENATOR LIEBERMAN

Senator LIEBERMAN. Thank you, Mr. Chairman.

I am sure that the public will greet our consideration of another commission to cut waste and streamline government with a mixture of hope and yet a lot of skepticism, as well, because government does not have a good track record when it comes to putting our own house in order.

But I want to suggest at the outset here that this is one of those rare defining moments when we actually have an opportunity to make a real difference, and I think there are several reasons for that optimism.

First is that we do not have a divided government, and divided government has too often in the past been a stumbling block to proposals to reorganize our government.

Second, we do have a different kind of Democrat in the White House, and it might just be so that, just as it took a Republican President Richard Nixon to open the doors to Communist China, maybe it is going to take a Democratic President Bill Clinton to open the doors to a leaner government.

Third, we have in the election of President Clinton and the remarkable successful of Ross Perot a clear expression from the American people that they want change and they want big change. They want the deficit reduced and they know that is not going to happen, unless we cut the waste out of our government. They are absolutely fed up at the status quo, and they are right to be so fed up.

To the American people, their government seems too often out of date and out of touch. They feel they are not getting what they pay for, and again they are right. At a time when they are going to be asked to sacrifice and bite the bullet for the National interest, they want their government, us, to bite the bullet first, and again they are right.

Mr. Chairman, given this confluence of events, I think that it is not only our responsibility, but our challenge to meet this opportunity before us and to do so with some sense of optimism.

I think through the initiatives of the people in this room, led by yourself and Senator Roth, that we are on the verge of creating just the kind of commission it will take to reinvent our government.

The fact is that since the 1930's, one well-intentioned government program after another has been layered on top of the one before. But the road to bureaucratic hell is paved good intentions. We need now to identify the outdated programs and eliminate them. We need to consolidate redundant agencies, and we need to incorporate marketplace incentives in government management and budgeting processes to give our civil servants the freedom to make common sense choices.

These are difficult tasks that require strong leadership, but I am confident that President Clinton will provide that leadership. Just last week, as you know, he announced his own commitment to a government-wide revolution, performance review led by Vice President Gore.

I see the proposals for creating commissions that we are going to consider today as a complement to the work begun by President Clinton and Vice President Gore. The Performance Review Board

is scheduled to finish its work on September 1st. But we must have no illusions: The job of reinventing government will by that time just have begun.

It has taken over 60 years for the modern Federal Government to become the huge highly centralized bureaucracy that we have got today. It will not become the lean, responsive, efficient organization that we all want it to be in just 6 months. If General Motors or IBM are an example, restructuring in the private sector, which is arguably easier, because it is smaller, takes a minimum of 8 to 10 years, even the bankruptcy reorganization of a small company takes an average of 2 years, so we are not going to reinvent and reorganize our government in 6 months.

Senator Bob Kerrey and I introduced S. 432, that recognizes the massive nature of the task we have before us, as well as the political and parochial barriers that will inevitably arise to stop genuine reform. Our bill, like the others, will create a powerful bipartisan commission and, like some of the others, will not only produce a report that will sit on a shelf, but requires that that report be the subject of fast-track consideration by Congress on an up or down all or nothing basis. Perhaps most important, the report will include legislative language to actually implement the changes in government that it recommends.

Mr. Chairman, I am convinced, as everyone else on this Committee is, that we need to make big changes in government, big changes that the public demands in a comprehensive manner, rather than in a piecemeal fashion.

If these changes come in small packages, they are inevitably going to be unraveled and unwrapped by the special interests and partisan and parochial concerns that have stood in the way of real governmental reform in the past.

With your leadership, Mr. Chairman, government reform will no longer be the province of academics and editorialists alone. We have in the White House a President who understands that government can and should work for the citizens who create it. We have throughout the country a citizenry that yearns for and demands change, and I believe we have on this Committee a bipartisan majority that are ready to lead the way to that change.

Thank you, Mr. Chairman.

PREPARED STATEMENT OF SENATOR LIEBERMAN

Mr. Chairman, I am delighted that the Committee will consider today how we can best "reinvent" our government and turn it back to the citizens for whom it is supposed to be working. I would like to thank the Chairman for his always patient leadership in considering how we can improve the way our government works, and in scheduling such a comprehensive hearing so promptly. Senator Roth deserves everyone's gratitude for so persistently and graciously turning our attention back to the need for fundamental reform and offering imaginative solutions to seemingly intractable problems. On this issue, Senator Roth was not only ahead of the curve, he helped create it.

I would also like to welcome our colleague, Senator Bob Kerrey, who is visiting the Committee today and with whom I am proud to be a co-sponsor of the Government Streamlining and Efficiency Act of 1993.

The idea that we are considering creation of a commission to cut waste and streamline government is likely to be met with initial skepticism by the public. After all, government does not have a good track record when it comes to putting its own house in order.

But I believe this is one of those rare, defining moments in history, when we have been afforded an opportunity to make a real difference. There are several reasons for such optimism.

First, we do not have divided government. Divided government has been a stumbling block to several previous proposals to reorganize the government.

Second, we have a different kind of Democrat in the White House. Just as it took Republican President Richard Nixon to open the doors to communist China, it may take a Democratic President, Bill Clinton, to open the doors to leaner government.

And third, we have seen in the election of Bill Clinton—and the remarkable success of Ross Perot a mood for big change among the American people. They are ready for a revolution in government. They are absolutely fed up with the status quo.

To the American people, the Federal Government is out-of-date and out of touch. They aren't getting what they pay for. And at a time when they're about to be asked to sacrifice and bite the bullet for the National interest, they'll be darned if the government doesn't bite first.

Given this confluence of events, it becomes our responsibility to meet the opportunity—and the challenge—before us. I believe that, through the initiatives of many of the people in this room, we are on the verge of creating just the kind of commission it will take to make the reinvention of government—the recreation of a government that is smaller and more effective—a reality.

Since the 1930's, one well-intentioned government program has been layered on top of another. But the road to bureaucratic hell is paved with good intentions. We need now to identify the outdated programs and eliminate them. We need to consolidate redundant agencies. We need to incorporate marketplace incentives into government management and budgeting processes to give our civil servants the freedom to make common sense choices.

These are difficult tasks that require strong leadership. I am confident that President Clinton will provide that leadership. Last week, the President announced his commitment to a government-wide revolution. As an important first step in that revolution, the President tapped our former colleague, Vice President Al Gore, to head up a Performance Review Board directed at figuring out what works and what doesn't within our government. The President, who has been inspired by the writings of one of our witnesses today, David Osborne, as so many of us have been, is dedicated to figuring out how we can make our government work more effectively and efficiently.

I believe the proposals we will consider today can complement the work begun by President Clinton and Vice President Gore. The Performance Review Board is scheduled to finish its work on September 1, but we must have no illusions: the job of reinventing government will have just begun. It has taken over sixty years for the Federal Government to become the huge, highly-centralized bureaucracy we know today. It will not become the lean, responsive, efficient organization that we all hope for in six months. If General Motors and IBM are any example, restructuring in the private sector, which is arguably easier, takes a minimum of eight to ten years. Even the bankruptcy reorganization of a small company takes, on average, two years.

Senator Kerrey and I have introduced a bill, S. 432, that recognizes the massive nature of the task we have before us, as well as the political and parochial barriers that will inevitably arise.

Our bill will create a powerful, bipartisan commission, appointed by the President and majority and minority leadership in Congress, and invest it with real authority. The commission, which would be known as the Commission for a Government That Works, will have the responsibility for thoroughly examining government from the ground up, and then preparing a report that identifies programs and agencies that should be eliminated, consolidated or reorganized.

But rather than sit on a shelf somewhere, that report will be subject to fast-track consideration by Congress, on an all or nothing basis. Perhaps most important, the report will include legislative language to actually implement the changes in government that it recommends.

I am convinced that we need to make the big changes in government that the public demands in a single, comprehensive manner, rather than in a piecemeal fashion. If changes come in small packages, they will be unraveled and unwrapped by the special interests and partisan and parochial concerns that have stood in the way of real reform in the past.

Mr. Chairman, thank you for holding this hearing. With your leadership, government reform will no longer be the province of academics and editorialists alone. We have in the White House a President who understands that government can and should work for the citizens who created it. And we have throughout the country

a citizenry that demands change. Let us show them we are ready to change, and we are ready to act.

Chairman GLENN. Thank you.

Senator Pryor.

OPENING STATEMENT OF SENATOR PRYOR

Senator PRYOR. Thank you, Mr. Chairman.

Mr. Chairman, I don't think this hearing could be held at a better time with a new administration that is reaching out all over this country for new ideas and new ways to do things in our democratic system.

I want to applaud you, Mr. Chairman, for having this hearing at this time, and I would like to applaud my colleagues who have come forward with what I think are some very creative ideas on looking at the totality of our Federal system and how we can, in fact, make it work.

Mr. Chairman, I do say, though, I think this morning we are dealing with about three issues. The first issue is do we need a commission? Ultimately, I think that I am going to come down on the side of saying yes.

I am, however, wrestling with the question, I say to my colleague from Delaware, is this the appropriate time? I think for the moment I would say that I am in favor of pausing and reflecting before that commission is created.

I hope that the Gore panel will come forward, Mr. Chairman, with the necessary facts and certainly the thrust and vigor of this new administration with the concepts and ideas that a commission could and should examine.

Yet, to create at this moment another layer, another commission on top of S. 20, on top of the Gore panel that is charged with a great deal of similar responsibility, I feel is almost—and I say this respectfully—like creating another bureaucracy to fight bureaucracy, and it is another layer of bureaucracy. Perhaps we will reach the point when it needs to be created, and when that time comes, I would like to join in with my colleagues, but I say the time is not right.

Finally, there is another issue and that issue is for us to very carefully make a distinction in this Committee. The Governmental Affairs Committee has been in the forefront of fighting waste, fraud, and abuse in Congress through the monitoring of federal programs, but I think that right now we are going to have to make a decision and try to make a distinction between the definition of delegation and abdication.

I think, Mr. Chairman, that in the base closure situation, we delegated and we delegated properly. Even though the results are painful and they were painful to my State, I can assure you that we have abided by those results.

To abdicate responsibility to the extent of turning over to a commission the entire Federal Government and only having a few days, as some of the plans call for, to confirm or turn down the commission's findings, I truly think at that point, we are reaching abdication, an abdication of our authority and responsibility. I hope I am wrong in my interpretation of it, but I want us to look at

those definitions of delegation and abdication and see if they fit within the framework.

Senator Reid, for example, has come forward with an interesting idea of sunseting. I have always been a proponent of sunseting, and I look forward to what Senator Reid has to say.

I think we have a lot of ideas on the table, and I only hope that we will pause in the creation of this commission. I don't think we are quite ready for it, and, notwithstanding our good intentions, I think we would really be making a mistake right now to create such a commission.

Thank you, Mr. Chairman.

Chairman GLENN. Thank you.

Senator McCain.

OPENING STATEMENT OF SENATOR MCCAIN

Senator MCCAIN. Thank you, Mr. Chairman.

Thank you for your and Senator Roth's continued efforts to try to reduce the size and the shape of the federal bureaucracy. These problems have afflicted the Federal Government to the degree where the public esteem in which this institution is held is at an all-time low.

To paraphrase a great philosopher, he said "the Lord so loved the world that he didn't send a commission." I think that maybe we ought to keep those immortal words in mind as we seek to form another commission, and I would hope that perhaps our staff could provide for the record as to how many commissions have been appointed in this century to "improve government and make it more efficient."

There is no doubt, Mr. Chairman, as to the growth of the Federal Government. The statistics fly at us from every direction. One of our first witnesses, the GAO, had a budget in 1983 of \$250 million, and this year it is \$435 million. Perhaps we can get an explanation of rationale for the growth in that bureaucracy.

Mr. Chairman, if we really want to address the concerns of the American people, I am of mixed emotions about a commission. But we are going to have a witness later on, for example, who wrote a book, "Washington Waste From A to Z." If we read that book and implemented half of the recommendations in there, we would please a vast majority of the American people.

Ross Perot was quoted by my friend from Michigan earlier this morning. Ross Perot said just the other day, "all of this is nonsense, unless you enact the line item veto and a balanced budget amendment. It is like giving a friend who has a drinking problem a liquor store, they will just spend more and more of the money." I agree with Ross Perot and, frankly, so do the 19 million Americans and others who voted for him in the last election.

In my view and that of economist Mr. Robert Samuelson, a man whom I respect, I'm afraid that we are going in the wrong direction. He in a recent *Washington Post* column: "The President and Congress ought to be ruthless today in pairing back unneeded government programs, so that tomorrow's unavoidable spending increases will be easier to bear. Unfortunately, Clinton's budget program goes in exactly the opposite direction. He condones unneeded programs and adds too much news spending, instead of clarifying

government's responsibilities, telling us what is essential and what is expendable."

I agree with Mr. Samuelson's words, and we proved yesterday in the United States Senate, by a 45-to-52 vote against the line item veto, that we are not serious. My friends, if you think that the American people are fooled, you are deceiving yourselves. They demand better fiscal discipline and they are not getting it. And unfortunately, things like this "Washington Waste" book are in the greatest demand in my State today.

The "Congressional Pig Book" summary is also one of today's hottest items. I am receiving hundreds and thousands of requests from all over my State about this. Unless we stop profligate spending, we are going to eliminate any chance the future generations of America have to avoid paying off this \$4 trillion deficit. We have amassed this debt and laid it on their backs, not on ours.

So I welcome this hearing. I look forward to hearing all the recommendations. Frankly, Mr. Chairman, I am open to anything in the desperation that I feel about what we have done to the American people, all of us, Republican and Democrat administrations alike. But it is time we got a change, and that is what the American people asked for in the 1992 election. Unfortunately, they are not getting it.

I look forward to hearing from my friend Senator Reid.

Chairman GLENN. Senator Stevens.

OPENING STATEMENT OF SENATOR STEVENS

Senator STEVENS. I will be brief, Mr. Chairman, since I came in late.

I have reviewed all of these bills that are pending. I had an idea to introduce one myself, but I see there are too many here already. I do favor the concept of a commission similar to the one that you and Senator Roth have outlined, but I do hear the Senator from Arkansas, too, and I think we ought to recognize his relationship to the new administration, and if they are asking us through Senator Pryor for time to let the Gore commission report, I would be in favor of that. I think that along with authority goes responsibility and if we are going to have such a commission, we should wait.

My friend from Arizona and I have a slightly different point of view. I think that we are looking at many of these concepts, as important as they are, the criticisms are like turning off the lights in the White House and still having programs that favor guns and butter.

We have one sector of our government that is continuing to grow at a rate that it will soon just encompass all of the discretionary programs we will not need to worry about the discretionary programs that could be affected by the line item veto by the end of this century, because the entitlement growth is so great that those programs will squeeze out all of these discretionary programs, unless there is something done.

That is why, Mr. Chairman, I favor the approach that you and Senator Roth have outlined, in general, for the concept of looking at government, because it is all encompassing.

I don't know, Senator Pryor, whether the Gore commission is tackling entitlements. It looks to me like they are tackling only the

discretionary spending. So if we are being asked to wait for a view only of discretionary spending, I don't think that is going to accomplish a lot. But if it is the President's request, I am of the opinion we ought to give this President some running room and see what he is going to suggest, and I will be the first to applaud him if he succeeds.

I don't think anyone can succeed by suggestions that only deal with discretionary spending. They must deal with the entitlements area, if we are going to stop the growth in demand for the taxpayers for more taxes and more taxes and more taxes.

Thank you very much.

Chairman GLENN. Thank you.

Senator Cochran.

OPENING STATEMENT OF SENATOR COCHRAN

Senator COCHRAN. Mr. Chairman, as a cosponsor of S. 20 with you and Senator Roth, I look forward to the testimony at the hearing on the subject we are pursuing. I want to commend you both for the leadership you have shown in this issue area.

I have a prepared opening statement and I would ask that it be included at this point in the record.

Chairman GLENN. Without objection, it is so ordered.

PREPARED STATEMENT OF SENATOR COCHRAN

Mr. Chairman, I want to thank you and Senator Roth for holding this hearing today to discuss an issue in which both of you have been deeply involved for many years. Improving how the government serves the citizens of our country, it seems to me, is the essence of what this Governmental Affairs Committee was created to do, and I commend the Chairman and Ranking Member for their diligence in pursuing this important goal.

I am pleased to see my friend Leon Panetta back with us today, as well as our other guests, and I look forward to their testimony. I know there are many efforts underway, some of which I support, to study the government and recommend ways of improving its performance. I hope we can ensure that these are not simply efforts to tinker on the fringes or to propose changes that sound good but have no real value.

I also hope we can ensure that there is accountability built into whatever recommendations are made. Sometimes I wonder if independent agencies and commissions are accountable to anyone other than themselves, and I think we should look at those agencies and consider incorporating them into departments or agencies that are accountable to the President.

Chairman GLENN. Thank you very much. I think everyone has had their say here this morning.

Harry, welcome to the hearing this morning. I said in my opening remarks that we welcome your legislation. This Committee many years ago went into sunset and zero-based budgeting proposals and actually passed through the Senate a bill that came out of this Committee.

At the beginning of this year, I asked the staff to review all that, with the idea of resurrecting some of that, and it is along that line that your bill tends also, and so we particularly welcome your legislation and look forward to your testimony this morning.

TESTIMONY OF HON. HARRY REID, U.S. SENATOR FROM THE STATE OF NEVADA

Senator REID. Thank you very much, Mr. Chairman.

Like my friend Senator McCain, I was going to start with a quote from Ross Perot, but I decided against it. [Laughter.]

Mr. Chairman, I appreciate the opportunity to testify here today in support of your efforts to measure the performance of the Federal Government.

The *Washington Post* publishes a calendar every year. There is a quote next to each month. For the month of January, I read the following: "The Lord's Prayer contains 66 words. The Gettysburg Address contains 286 words. There are 1,322 words in the Declaration of Independence. But government regulations on the sale of cabbage contain 26,911 words."

I think that statement spells out the problems of the Federal Government in a nutshell. It is absolutely critical that we the Congress determine what works in this huge bureaucracy and what doesn't. I support the Gore Commission and hope it works. I also think the Lieberman-Kerrey legislation and the Glenn-Roth legislation is good legislation. I hope that this commission does such a good job that we don't need to pass that legislation. But I think that it can't hurt anything to move the legislation along, so that it will be ready to go, in case the Gore commission does not do what is needed to be done.

I firmly believe that we need to have a legislative mechanism to reform the government that will avert any attempt to protect the so-called "sacred cows." A commission that gives Congress a report that requires an up or down vote on the entire package would accomplish that goal.

I underline and underscore the remarks made earlier of Senator Pryor of the base closing legislation. When that was first talked about, I don't think there were many legislators that liked it. We like to be independent and have up or down votes on individual programs. But I think it has done a great service to the country, and we are going to see in the next little bit how we are going to vote on something that is going to save a lot of money, that is the closure of approximately 30 bases.

I would also like to take this opportunity to bring your attention, as Senator Glenn has already done, to legislation that I have introduced that should tie into your efforts here today. My bill, the Spending Control and Programs Evaluation Act, is very simply a sunset bill.

It is an understatement to say that the Federal Government faces a budget and debt crisis. I am not going to go into all the detail, because each of you know how much money we owe now and how much we are going to owe tomorrow.

Not only does the government face a fiscal crisis, it also faces an American public that believes Washington just doesn't work any more. I return to the Senate this year, as does Senator McCain who just spoke about this, as does Senator Glenn who I haven't heard speak about it, but I know he feels the same, after having faced the voters in our respective States.

I can tell this Committee first hand that the voters in Nevada are like the people all across this country. They are upset, they are angry. The voters believe their tax dollars are being wasted, and this phenomenon is not exclusive, as I have indicated, to the State of Nevada. Throughout his campaign and his message for change,

President Clinton stressed the need to change the ways the Federal Government operates. I was pleased to see last week that they have put into effect this commission to change the way we do business around here.

We are all aware of government programs that were authorized 50 years ago, 150 years ago, 100 years ago to address a particular need of the country. That problem is that, in many cases, that program is no longer necessary. It just simply has not been reviewed. The bottom line is that it is easy for us here in Congress to create a program, but under the present method it is impossible to get rid of it.

I have identified at least 30 Federal agencies that administer agricultural related activities. I won't take the valuable time of this Committee by naming them, but the questions are do we need all the agencies to do the same job. Is there overlap in their responsibilities?

Mr. Chairman, I am not great for telling jokes, but the one that always got a laugh on the campaign trail this year is the one where I said that somebody is walking down one of the halls of the Department of Agriculture and looked in one of the doors and someone was at his desk with his head down crying, and he walked in and said, "Joe, what's the matter?" He said, "My farmer died." [Laughter.]

Well, that is the problem we have here. We just have too many people doing the same thing.

Today, this Committee is addressing the issue of how to address this glaring problem, not only with the Department of Agriculture, but the entire Federal Government. You are her to find a way to reform the government, the way government does business so it is responsive to the people that pay the bills, the taxpayers of this country. Your actions can result in serious deficit reduction and restore the faith of the voters in their government.

Unless there is an ongoing effort to streamline our programs, though, we will return to the same old practices. Congress might take bold action to do away with wasteful, duplicative or contradictory programs, but unless we invoke a plan to review these programs, we will continue to crate new programs until eventually we end up with the same situation. We need to have a mechanism to end programs, if they are no longer needed.

Many in this room are familiar with David Osborne, who coauthored the book "Reinventing Government." David is now serving as a fellow to the Progressive Policy Institute, the think tank associated with the Democratic Leadership Council.

"Mandate for Change," a book published by the Progressive Policy Institute, lays out several options for the Federal Government to improve the way we do business. I spoke to Mr. Osborne in my office a few days ago.

In fact, I am sure you are all aware, he calls for the establishment of a commission similar to the one that is called fore in the legislation here, similar to the Gore commission, but he also believes that that is only the first step that you need. In addition to that you need the establishment of a commission with a sunset law, and: "It is time to cut through this thicket of over-regulation, to eliminate programs and regulations that have outlined their use-

fulness, the President should call for a sunset law and commission."

I repeat, he said, the President should call for this. My legislation offers part of that formula. It would sunset existing programs on a staggered 10-year basis. The initial step has already been taken. During Senate consideration of last year's budget resolution, I offered an amendment calling for a review of existing spending programs, and it was approved by a voice vote.

As a member of the Joint Committee on the Reorganization of Congress, I have heard testimony from congressional experts from all walks of life. They all agree that Congress is in serious need of reform, and I would concur.

Today, Mr. Chairman, I propose to work with you and other members of the Committee, as well as others in the Senate who are interested in this important issue, to put together legislation that will make this government function not only today, but tomorrow and 100 years from now. Sunset legislation is critical, no matter what these commissions do.

Thank you.

PREPARED STATEMENT OF SENATOR REID

Mr. Chairman, and members of the Committee, I appreciate the opportunity to testify here today in support of your efforts to measure the performance of the federal government.

The *Washington Post* publishes a calendar every year. There is a quote next to each month. When I opened the calendar to the month of January, I read the following,

"The Lord's Prayer contains 66 words. The Gettysburg Address contains 286 words. There are 1,322 words in the Declaration of Independence. But government regulations on the sale of cabbage contain 26,911 words."

Mr. Chairman, I think that statement spells out the problems of the federal government in a nutshell. It is absolutely critical that we determine what works in this huge bureaucracy and what doesn't. The creation of a commission to be set up in similar fashion to the base closure commission is one way to address this problem. I firmly believe we need to have a legislative mechanism to reform the government that will avert any attempt to protect the "sacred cows." A commission that gives Congress a report that requires an up or down vote on the entire package would accomplish that goal.

However, I would also like to take this opportunity to bring your attention to legislation I have introduced that should tie into your efforts here today. My bill, the "Spending Control and Programs Evaluation Act," is very simply, a sunset bill.

It is an understatement to say that the federal government faces a budget and debt crisis. In 1992, our budget deficit was \$290 billion. This year the deficit is estimated to be \$325 billion. Our national debt already stands at \$4 trillion. Needless to say, this must stop.

Not only does the government face a fiscal crisis, it also faces an American public that believes Washington just doesn't work anymore. I return to the Senate this year, as some of you do, after facing the voters in my state. I can tell this Committee, first hand, that the voters in Nevada are angry. The voters believe their tax dollars are going to waste. And this phenomenon is not exclusive to Nevada. Throughout his campaign, and his message for change, President Clinton stressed the need to change the way the federal government operates. I was pleased to see that last week, Vice-President Gore has been put in charge of these efforts.

Mr. Chairman, we are all aware of government programs authorized 50, 100, or 150 years ago to address a particular need of the country. The problem is that, in many cases, the program continues when the need no longer exists. The bottom line is that it easy for us here in Congress to create a program, but virtually impossible to end it.

For instance, I have identified at least 30 federal agencies that administer agricultural related activities. I won't take the valuable time of the Committee by naming one of them, but, the questions are, do we need all of these agencies to do the job?

Is there overlap in their responsibilities? Do their activities ever contradict each other? How much money is wasted due to bureaucratic infighting?

Today, this Committee is addressing the issue of how to address this glaring problem within not only the Department of Agriculture, but the entire federal government. You are here to find a way to reform the way the government does business so it is responsive to the people that pay the bills—the American taxpayers. Your actions can result in serious deficit reduction and restore the faith of the voters in their government.

However, Mr. Chairman, unless there is an ongoing effort to streamline our programs, we will return to the same old practices. Congress might take bold action to do away with wasteful, duplicative, or contradictory programs, but unless we invoke a plan to review these programs, we will continue to create new programs until eventually we end up in the same situation. We need to have a mechanism to end programs if they are no longer needed.

Many in this room are familiar with David Osborne, who coauthored the book *Reinventing Government*. David is now serving as a fellow to the Progressive Policy Institute, the think tank associated with the Democratic Leadership Council. "Mandate for Change," a book published by the Progressive Policy Institute, lays out several options for the federal government to improve the way we do business. Mr. Osborne contributed to "Mandate for Change" his ideas for what needs to be done. In fact, as I'm sure you are all aware, he calls for the establishment of a commission similar to a commission that you are considering as part of your efforts. But, he also believes that the establishment of a commission should be combined with a sunset law. He says:

"It is time to cut through this thicket of overregulation. To eliminate programs and regulations that have outlived their usefulness, the . . . President should call for a Sunset Law and Commission."

I repeat, he said, "the President should call for a Sunset Law and Commission." My legislation offers part of that formula. It would sunset existing programs on a staggered ten year cycle. The initial step has already been taken. During Senate consideration of last year's budget resolution, I offered an amendment calling for a review of existing spending programs and it was approved by voice vote.

As a member of the Joint Committee on the Organization of Congress, I have heard testimony from Congressional experts from all walks of life, including former members of Congress. Even Ross Perot offered his expertise on the issue. They all agree that the Congress is in serious need of reform, and I would concur.

Today, Mr. Chairman, I propose to work with you and the other members of the Committee, as well as others in the Senate who are interested in this important issue, to put together legislation that will make this government function today, tomorrow, and 100 years from now.

Chairman GLENN. Thank you very much, Harry.

What would be covered and what would not? Would every function of government come under your proposal for review?

Senator REID. Basically, yes. There are some exceptions, but basically, yes.

Chairman GLENN. How would you handle entitlement programs that are our biggest area, of course?

Senator REID. I think we have to look at these. I believe this legislation excludes social security. But, Mr. Chairman, I think we have to look at all these programs. I think that one way that these programs get out of hand is some of these automatic cost of living increases, and there is a school of thought as to why they came to be. One is that it was easier for us, if we did not have to make these tough votes every year, and I will accept that. But whatever the reason, I think we have to reexamine that.

Chairman GLENN. Would the entitlements sunset, unless specifically reauthorized, also?

Senator REID. Yes.

Chairman GLENN. The whole works across the board?

Senator REID. Yes.

Chairman GLENN. I know some States have experimented with different parts of sunset or zero-based budgeting. Colorado was one we had testimony on years ago on this. Do you have any experiences from some of the States that are relevant to the bill that you could use?

Senator REID. Nevada has done some experimenting with sunset law and they have worked extremely well. What my legislation calls for is not like—for example, we have in the State of Nevada where a bill is in force and effect for a limited period of time. Bills passed here could go on forever, if they were reauthorized every 10 years. It would force us to look at these programs.

I know, as a member of the Appropriations Committee, some of the authorizing committees complain, because they don't have enough input. This would give them absolute direct control over everything that goes on around here.

Chairman GLENN. Senator Roth.

Senator ROTH. I would like to congratulate my colleague. I am a strong believer in sunseting. When I first came on this Committee, I used to offer that as an amendment to almost everything that came up.

In S. 15, our commission, one aspect is for the commission to come up with a means of implementing a sunset.

Senator REID. I am glad to hear that.

Senator ROTH. I congratulate you and look forward to work with you on this very important initiative.

Senator REID. Thank you, Senator Roth.

Chairman GLENN. Senator Dorgan.

Senator DORGAN. Senator Reid, do you propose that we sunset spending programs in the Tax Code, as well? I missed your testimony.

Senator REID. Senator Dorgan, I don't quite understand your question. Would we sunset programs—

Senator DORGAN. Well, we do about \$300 or \$400 billion a year of spending in the Tax Code by saying to someone, if you will do this, you will pay less in taxes. Targeted jobs tax credit, just before I came down here, there was something on my desk about the TJTC, targeted jobs tax credit. That is a government program not appropriated, but funded through tax forgiveness. Would you propose that the some \$400 billion in programs at the Federal level that are administered through the Tax Code would be sunsetted, as well?

Senator REID. I would say that. I have not frankly given thought to that. I know you have served for many years on the Ways and Means Committee, and I don't know if it would have any different mechanism for doing it than this legislation, but it sounds like we should look at those programs, also.

Senator DORGAN. Thank you, Senator Reid.

Chairman GLENN. Senator Lieberman.

Senator LIEBERMAN. Mr. Chairman, very briefly, just to thank my colleague and congratulate him on introducing the legislation. It is totally consistent with everything we are talking about, right from "Mandate for Change," and I want to ask you to add me as a cosponsor of the legislation.

Senator REID. I would be happy to do that. Thank you, Joe.

Chairman GLENN. Senator Pryor.

Senator PRYOR. No questions.

Chairman GLENN. Senator McCain.

Senator MCCAIN. I thank my friend from Nevada who I have had the pleasure of working with for many, many years and I appreciate his efforts in this particular area.

I would like to just follow up on Senator Dorgan's question and hope you would contemplate how we would address the tax side of this issue. As you know, one of the more egregious practices around here is that we pass a tax bill and then all of a sudden we later find these enormous loopholes which are in many ways a mirror image of the wasteful and inefficient spending that we find cropping up as a result of appropriations bills. I wonder if you have contemplated that.

Senator REID. Either me or my staff, we have not talked about this, but it would be my feeling, my intent that these programs should be covered, and I will visit with my staff and the staff of this Committee to make sure that it is covered in this legislation.

Senator MCCAIN. Thank you. Thank you again for your efforts here.

Chairman GLENN. Senator Cochran.

Senator COCHRAN. Given the fact that there has been a lot of support for the concept of sunset, it makes you wonder why legislation had not been enacted by Congress on this subject before. I was probably making a mistake as we were talking here and listening to your testimony of thinking why it had not been enacted in the past.

One reason probably is that if we automatically disestablish through the expiration of a certain period of time Federal programs, we have to realize that there is a possibility that a minority in the U.S. Senate could prevent the reestablishment of that program, given the rules of unlimited debate we have and the fact that, in order to cut off debate, you have to have 60 Senators to vote to invoke cloture.

Given that situation, is there some suggestion that you would make about how we deal with the inevitability of that threat to programs that might be worthwhile that might be supported by an enthusiastic majority, but because of the rules of the Senate, it might never be reestablished?

Senator REID. Thad, you now, we do not do a lot around here in contemplation of mischievous acts of others and we wind up not doing good things. I feel if you take, for example, revenue bonds, they are, in effect, sunsetted and they are a great program and we always manage in some manner to extend them, because they are good programs. Frankly, if a few good programs failed, I think that is what we are going to have to take the good with the bad. We cannot, because of the fear of a few programs going down, keep all these bad ones.

Senator COCHRAN. Thank you, Mr. Chairman.

Chairman GLENN. Thank you very much.

Thank you, Harry. We may have additional questions to submit to you, and we would appreciate your reply so we could include them as part of the record.

Senator REID. Thank you, Mr. Chairman.

Chairman GLENN. The next witness will be the Comptroller General, head of GAO, Mr. Bowsher.

Mr. Bowsher, welcome to this Committee. Welcome again.

TESTIMONY OF HON. CHARLES A. BOWSHER,¹ COMPTROLLER GENERAL, UNITED STATES GENERAL ACCOUNTING OFFICE; ACCOMPANIED BY WILLIAM M. HUNT, DIRECTOR OF FEDERAL MANAGEMENT ISSUES; AND DAVID G. MATHIASSEN, SPECIAL ASSISTANT

Mr. BOWSHER. Thank you very much, Mr. Chairman.

We are pleased to be here. I have a prepared statement that I would ask be included in the record.

Chairman GLENN. Without objection, it will be included in the record in its entirety.

Mr. BOWSHER. I will just make some summary comments here and then would be happy to take any questions.

I am accompanied today by Dave Mathiasen on my right and Bill Hunt on my left.

First, we are very pleased that this subject has now become so topical and that we are beginning to look as a government at some of the many problems that have developed over the years with our government.

We believe that a commission with a carefully focused mandate could serve as a very valuable effort here to addressing the growing consensus on the need to change the way the government manages. However, we do have just a couple concerns, and that is that the commission should not be used to delay action. We feel that such areas as full implementation of the CFO Act and the enactment of S. 20 performance measurements, those are some of the things that we would hope would go forward here.

Also, I think with Vice President Gore's initiative, which seems to have a short-term effort and then a long-term effort, that certainly the effort to look at the fraud, waste and abuse areas patterned after the Texas audit effort, we would certainly want to cooperate and help that group with all the work that GAO has done in the past, as we did with the Grace Commission and some of the other commissions in the past, too.

There is no question that there has been many new concepts I think developed for managing government in recent years. Mr. Osborne and others have come up with some excellent ideas, and so these I think are all good candidates for careful consideration by a broad-based bipartisan commission.

I certainly believe that Senator Roth's point about the country wanting better government, wanting better service to the customer and the citizens is very key, and we believe that the management of the Federal Government could be improved in approximately three very broad areas I would like to emphasize.

One is establishing accountability for program results. Of course, that is what S. 20 tries to get at. I think that also the budget process is one that could be reformed and the accounting, the CFO, all fits into that picture, because what we really have to know is what

¹ The prepared statement of Mr. Bowsher appears on page 81.

are the results of what we are getting with all the programs that we have here at the Federal level.

Second, I think is emphasized in the longer-term focus. We often had the problem I think here in government where our political appointees come for a very short period of time, and I know the new President is very worried about the conflict of interests in prohibiting the 5 years afterwards.

Mr. Chairman, I think you have made the very good point that they would stay for 5 years, that that would make a big difference. So I think that trying to get some continuity both at the political leadership level and also at the SCS level of our senior civil servants could be a big plus here.

I think also on how we budget, in other words, a lot of our budgeting process is for short-term thinking, and so I think that some of the thinking that we have had in past years about longer-term concepts in the budgeting process ought to be considered.

I think also, of course, that sometimes you have to make real investments here to get the payoff, and especially with modern systems and communications and that is something that we haven't done very well in the government, and I would hope that we could do a much better job here in the future.

I think, also, the third big broad area that we would be is realigning the machinery of government. In other words, I think that is where some of the literature today has come, and we at GAO have embarked ourselves on a TQM that is total quality management project here for a couple of years. I think those techniques which the Japanese and others have pioneered and some of our private sector people have adopted could readily be transferred to the government, but it has not been tried and is something that I think should be, and I think there are some departments, like the Social Security Administration and the IRS, the Agriculture Department that somebody mentioned earlier, the Transportation Department, these would be candidates that I think that we might get really great payoff from.

I also think that there are certain areas in the government that are going to be reengineered. In other words, health care, whatever plans are finally brought forward and adopted here, why, you are going to have probably some major changes in the health care system and the role that the Federal Government plays in it. The same with defense, because we are bringing down the size of our defense forces.

So there are many areas there that have to be rethought and reengineered, I believe. Also, a program like the AID program for our overseas and foreign policy and things like that is something that has grown over the years, one mandated mission on top of another. So these are some of the program areas that we think it would be very helpful if the program here to reinvent government went after some of the programs that, where you have a big impact on the citizens and taxpayers and the people that are interfacing with the government.

I don't think you can do it all at once, the whole government at once, so I think it is important to pick and choose, you might say, what are the important areas, where could you get the biggest pay-

off, and I think the commission could help make those choices and put the emphasis on the right places.

So I would just like in summary to say I would like to turn to some of the issues that need to be considered in creating a commission. The issues surrounding the creation of the commission I think are much like the major question facing the government as a whole, what should be its purpose and how should it be structured and operated to achieve results.

Defining a clear focus for the commission will be crucial, because it will be a precondition I think for success. The legislation will need to set a commission scope and give it a clear mission. Without a clear mission and objectives, I think there is a danger that a commission could be diverted to focusing primarily on eliminating individual instances of inefficiency and mismanagement or getting rid of some unneeded programs or activities, and these such efforts are clearly needed. However, the more productive use of the commission's time would be to identify the underlying causes of these programs and these problems and solutions.

Of utmost importance is the need for a close working relationship between the commission and those whose responsibility it will be to implement its recommendations. One way would be for the commission to have representation from both the Legislative and the Executive Branches. Another would be to require periodic interim reports by the Chairman of the commission to the congressional leadership and, of course, to the President.

In summary, Mr. Chairman, we believe that a commission could play a very valuable role as one of the broad range of efforts to improve Federal management. We believe a commission can add value to the broad agenda of change facing Congress and the President, but it must not be a substitute for action in the areas where there already appears to be broad agreement, such as enacting S. 20, and I think further expanding and implementing the CFO Act and things like that.

Mr. Chairman, that completes my prepared remarks. We would be happy to answer any questions.

Chairman GLENN. Thank you, Mr. Bowsher.

Before beginning questions, you referred to the 5-year restriction that the President wants for people not to have contacts with government after government employment, and what you referred to as some figures that your staff had worked out that back my concerns in that area.

I am more concerned about keeping people in government long enough to do a good job than supporting the 5-year restriction on the end. The figures are that from 1982 to 1991, of political appointees in government, 31 percent of them were out of government within 18 months, almost a third, 50 percent were gone within 27 months, and two-thirds or 66 percent were gone within 36 months.

Now, I don't know how anyone is going to run an efficient government, if you have that kind of churning, that kind of turnover in the people who are supposed to be directing programs in all the agencies. So I am more concerned about getting a guarantee, as people come into government, they will stay at least for the administration, at least to the next election or something, so they have a chance to do a good job.

You know, the first three or four months they are over there trying to figure out where the people are and where the phones are and the wash room and a few other things, and when they get to be short-timers at the end, there are two or three months that they are not very effective, either, so we are talking about taking another four to six months off of their effectiveness, and I am more concerned that we get people in government that really want to come in and serve and not just get their ticket punched for some other activity some place.

Mr. BOWSHER. I think that is especially important, if you are going to go into some of these reinventing government practices. All of the people from the private sector that we have met with, from the Ford Motor Company to the Xerox Company, that one of the big things they stress very much—and Mr. Demming does this, too—is how important the leadership is.

In other words, if the leadership is not permitted to change and if the leadership is not going to be there for a while, why, then you are just not going to have a successful program. So I think this is very, very important and that is getting committed leadership and asking them to stay for some period of time that you can actually achieve something.

Chairman GLENN. What do we have as lessons from past commissions? I find that important, also. To set up another committee, commission, council or whatever, that is the Washington way of covering up something. We would hope that this commission would not be that way, obviously, or we would not be suggesting it. How do we avoid the pitfalls?

I think the Hoover Commission way back worked pretty well. We did some reorganizing of government then. The Grace Commission focused on the Defense Department. It had a lesser impact. How do we avoid some of the pitfalls of the past that led past commissions to not be very effective?

Mr. BOWSHER. I think one of the key areas is bipartisanship. In other words, I think you have to have a bipartisan atmosphere all the way through. In other words, I think it is important that the commission be bipartisan, I think in the case of the Hoover Commission, that is where President Truman actually picked a distinguished Republican and made him chairman of the commission and it worked in a very bipartisan manner, from what I can see, and it worked with the Congress.

I think that is the second thing and I think that is where the Grace Commission fell down somewhat, is that the working relationship between Mr. Grace and the Congress broke apart, and so a lot of the recommendations, many of them very good, just never got enacted, simply because there was not the feeling that it was a bipartisan effort.

So I think that this bipartisan effort and working closely with the Congress and the Executive Branch is all very key to the whole success.

Chairman GLENN. I think your cautions about carefully defining the role of the commission are very, very good, what scope they would get, short-term, long-term. Would you restrict them just to government operations and structure, or should it also consider programmatic and policy issues and try and sort those out, as well

as Federal, State local relations, if we are going to make government work better? What scope do you see?

Mr. BOWSER. I would give it a very broad scope, because I think that to make the major changes and get the biggest savings and get the efficiencies, you have to look at it on a very broad basis.

I think take the agriculture area that Senator Reid pointed out with the cabbage regulations, you have to look at the programs. In other words, you have to look and see what legislation is behind the programs, what regulations have been written by the various agencies here in the government, and then how are we actually delivering those services out there. So I think a very broad approach is the only way you will get the big improvements and the big savings.

Chairman GLENN. I have been a little concerned that we are only looking at half the problem here. It seems to me if we are going to reform things, we maybe have to do Legislative and Executive reformation at the same time, or they have to be compatible with each other, in other words.

Let's say we revised the Cabinet structure. Obviously, that affects what our oversight structure is here. Do we have to consider both of these together. We have Senator Boren and some other colleagues over there, including some members of this Committee, involved with reorganizing Capitol Hill—and they will make their recommendations shortly—do we have to tailor that with something like this, also?

Mr. BOWSER. I think we should, and I think that is one of the problems in the past. We created some of the newer Cabinet departments, which aren't quite so new any more, like Transportation and that, and we never really got the committee structure lined up with some of these new moves that were made over in the Executive Branch. So I think you have lots of times overlapping jurisdictions and a lot of time spent. If you could get both streamlined at the same time, I think you would achieve greater efficiencies.

Chairman GLENN. How should a commission operate? Should they prepare reports such as the old Hoover Commission did and give interim reports as they go along, or do you think they should even go so far as drafting actual implementing documents or executive orders and legislation? What kind of a scope would you give them there?

Mr. BOWSER. I think the interim reporting makes sense. I think later on you might want some of the people in the government helping with the implementation, drafting of the legislation. I am not sure the commission has to do all the drafting, and I think that is the way the Hoover Commission worked. Right, Bill?

Mr. HUNT. Yes, the Hoover Commission, actually, the first Hoover Commission I think did 19 reports and they were basically on administrative procedures and processes and things of that nature, and that generated I think in the vicinity of about 300 pieces of legislation, actual bills and resolutions in the Congress.

Chairman GLENN. What time did that take, Mr. Hunt?

Mr. HUNT. It started I believe in 1947 and went through about 1949, the work of the commission. But former President Hoover also continued, I think which is important effort in terms of the success of the first Hoover effort, he continued to raise money pri-

vately and lobbied very strongly both the President and the Congress in subsequent years to push through the various proposals.

The second Hoover Commission stated I think in about the 1953 to 1955 time period. That was a little less successful than the first, because it got more into some value-laden issues that there was not consensus. The first Hoover Commission, I think there was more consensus for the need for change, as you pointed out in your opening statement.

Chairman GLENN. The timeliness of all this I think is very important, too. I think at that time, when the Hoover Commission was considering things, it was sort of a sea change in national outlook out of World War II and so on.

Now we have just come out of the Cold War and I think we need another new look—

Mr. HUNT. There is an interesting alignment of interest and parallels between that period and I think this period.

Chairman GLENN. My time is up. Senator Roth.

Senator ROTH. Like the Chairman, I do not want a commission that results in another study, period. We want action. And one of the proposals I have in my legislation, which is somewhat I think modeled after the first Hoover Commission, I believe the President could put into effect recommendations of the commission, unless it was vetoed by one house. Is that correct?

Mr. HUNT. I don't recall. I would suggest, though, that we have a witness coming on a subsequent panel, Dr. Arnold, who is an expert in this area, and he probably could be more definitive about that.

Senator ROTH. In any event, what we are providing in my legislation is that it goes into effect unless within a certain time limit, and you can argue how long that should be, there is a resolution of disapproval.

Another alternative could be like fast track in the case of GATT, that Congress has to act within a certain number of days, vote it up or down. Do you think that would help insure that the commission does result in action?

Mr. BOWSHER. I think it would, Senator. At the same time, I think it was Senator Pryor's point that the Congress themselves I think have to decide just how much fast action they want to build into the system and how much do they want to reserve judgment on that. But I think having some feature in there to get you action—

Senator ROTH. You would agree that if we don't force action at some time, as I said, you can argue the time, but if you don't require action somewhere, if we are really going to have strategic reform, structural reform, it is going to be controversial, isn't it?

Mr. BOWSHER. Yes, it is and a lot of vested interests are going to come in on those issues.

Senator RUTH. Absolutely.

Mr. BOWSHER. Yes.

Senator ROTH. So unless we require expeditious—we said 30 days and maybe that is not nearly long enough, I am not arguing, but if you don't do something like that, don't you run the risk of just another study?

Mr. BOWSHER. I think you do run the risk, and so I think you have to have some action forcing features. Just what they would be, I would leave that to the Congress.

Senator ROTH. Another thing that gave high visibility to the Hoover Commission is that you had a Democratic President appointing a former well-respected Republican President, and the commission was truly bipartisan, which you in your opening statement endorsed.

Mr. BOWSHER. Yes.

Senator ROTH. But I wonder if it wouldn't be desirable here, too, for the commission to be headed by some distinguished American, you know, it could be Mr. Perot, his organizational knowledge of high tech, Lee Iacocca or possibly a former President like Jimmy Carter, but don't you think it is important that this effort has some visibility so that you build grass root support to help offset the vested interests?

Mr. BOWSHER. Yes, I think it is important to have a person of great stature, and I was pleased that the administration brought the Vice President in to play the role.

Senator ROTH. We all were, I agree with that.

Mr. BOWSHER. So I think along those lines, and if you are having a new commission, I would say that who is chairman is very key, very key.

Senator ROTH. Now let me raise this question, the question of implementation, because, again, we are talking major changes. I have sat on this Committee for years, as you well know, and have worked with you on chief financial officer, standardized accounting, and it is like moving a worm, it don't move. What do we do? What can we do to try to get action taken?

The American people are remarkably patient, but they do want some action. How can we insure that once a program is approved, that it is going to be moved expeditiously?

Mr. BOWSHER. I think the President plays a great role in that. Once you decide what you want to do, it is the Executive Branch that has to do it, and I think we have needed action and leadership from the Treasury Department for years on this financial management, because it is so obsolete here at the Federal level. We have made a lot of progress in the New York City fiscal crisis, at the State and local government level, but ours is just what you have described, we have made very slow.

I think you the CFO legislation of two years ago started to give us the legislative base to move forward, but I think now the Clinton administration has a greater opportunity to really move out and do it. If they don't do it, then you know you don't get the payoff from these efforts. So I think it is very crucial what the President leadership and what the Cabinet officers are willing to do.

Senator ROTH. I think there is fairly broad consensus that one of the problems in government today is that we have created these layers of bureaucracy. Many of these people are fine, intelligent, well-meaning people. It is the system that is so outmoded and inefficient.

But don't we have to look at the personnel rules, the civil service, if we really put some authority into—it seems to me critical to any reform to getting the job done is we have got to have decision-mak-

ing and some flexibility in decision-making at the lower levels, that the people back home, when they come up with proposals, they don't want to have to deal with a dozen different levels of bureaucracy, they go from Wilmington, Delaware to Philadelphia, they come to Washington, and they have to deal not only with several layers of bureaucracy within an agency, but through several agencies.

First of all, don't we really have to change the rules, somehow rewarding those who succeed in performing? And how do we avoid the charges that, when you reward those that succeed, that it ain't politics?

Mr. BOWSHER. I think you do have to reform some of the personnel rules. I think the civil service rules have for many years protected the civil service employees, but it hasn't brought us an efficient and effective government. I know we put in a pay for performance system in GAO, which I think has helped very much in raising the productivity and the results that we are achieving, and I think some of these rules have to be changed, and I think you have to reward them.

I think some of these other countries like New Zealand and Australia and Great Britain who have tackled some of these issues have decided that they want to see more of a policy in with the political people and have that clearly delineated, and then to have their senior civil service people really managing to achieve the results that the political people want to achieve, and then to have the reward system for those people much more flexible, much more designed so that if they do a good job, they get rewarded, if they don't do a good job, they don't get their contract renewed.

So there are other countries here that I think we should be looking at to see how some of these new models have worked. Some of them seem to think they are starting to work pretty well. It is a little early to tell for sure. But I think that is the kind of new thinking that we have got to be willing to do.

Senator ROTH. My time is up.

Thank you.

Chairman GLENN. Thank you.

Senator Bob Kerrey has joined us. He is not a member of the Committee, but he has a particular interest in S. 432, Senator Lieberman's bill, as a cosponsor, and wanted to make a short statement. I know he has to leave and go preside in just a couple of minutes, I believe. So if you wanted to make a statement now, Bob, go ahead.

Senator KERREY. I appreciate it, Mr. Chairman.

I appreciate the Committee's concern, particularly Senator Roth's urgent concern to do something to restructure the Federal Government. I think all of us who have examined the Federal budget understand that the greatest fiscal threat to us is both the size and rate of growth of our entitlement programs, and so that we are really dealing as much, when we identify Federal contracts and the Federal bureaucracy, the need to make sure that we preserve citizen confidence.

My own observation sort of begins with a conversation I had the other evening with the CEO of McDonald's Corporation saying to me that for the first time in the history of his company, that he

has been involved with the company, he has noticed that if he has a price increase, that he loses customers, that his customers have become much more price sensitive than they have ever been before.

Well, for us that are involved in collecting taxes, the price for government is the taxation that we place on the people, and I believe, at least from my part of the country, people have just sort of hit the wall. They are saying that government has gotten too expensive, and they are not just concerned about their long-term interest rates or the fiscal deficits. They are simply saying they don't believe they are getting their money's worth, and I think that speaks to the urgent need to restructure this government so that it works for the people.

I appreciate very much the urgency I hear to actually get action, because there will be resistance. The principal enemy, so far as I can see, are interest groups that like the status quo. They not only have the capacity to get grants approved, but they very often have the capacity to sell their services. They become consultants to inform citizens as to how they should hold their hand when they are trying to get a contract approved.

Second, I must say with all due respect that there will be resistance in Congress. If, for example, we make the decision to eliminate the Department of Agriculture or the Department of Education or if we consolidate in some way that reduces and eliminates a Federal agency, we will lose a chairmanship on this side. I think that resistance ought to be obvious. I am on at least one of the two committees that I just referenced, and I may find myself sort of intuitively saying there is something wrong with that.

We need, it seems to me, some way to make sure that we can, as we have done with base closings, rise above that intuitive reaction against your proposal, so that we can get, as Senator Roth said, action when the recommendations are made. I genuinely appreciate the concern that I hear expressed here this morning, because I think it is one of the most important things we need to do in order to make government work for the people and give them confidence that democracy is working and make them feel more confident that they are getting their money's worth for the services delivered.

PREPARED STATEMENT OF SENATOR KERREY

Mr. Chairman, I want to thank you and the Committee for the chance to participate in this hearing on government reform. I appreciate the opportunity to work with you on this very important issue.

Mr. Chairman, I am here today with you to discuss an issue for which there is little constituency: Restructuring and streamlining the federal government.

There is little constituency for restructuring the government because powerful interests have a stake in preserving the status quo. Restructuring means that Senators and Representatives may lose the oversight authority that comes with their committee jurisdictions. Restructuring means that government agencies may lose funding or programs that are part of the "territory" they have carved out. And finally, restructuring means that large companies may lose the comfortable relationships with the bureaucracy that they have developed over the years.

These interests, when asked about restructuring proposals, will roll their eyes, and tell you that it is either unnecessary or impossible. Mr. Chairman, I am here today because I believe that restructuring is necessary, possible, and urgently needed.

It is time for the federal government to reorient itself, to shift the focus from serving these entrenched interests to serving the federal government's primary customer—the American taxpayer.

For that reason, I recently introduced with Senator Lieberman the Federal Government Streamlining and Efficiency Act of 1993. The Act would establish a two-year bipartisan commission tasked with the responsibility of examining Federal agencies and programs—including entitlement programs—and reporting to the President and Congress recommendations to make the government more efficient and effective.

The commission is charged with making recommendations in three areas: eliminating, consolidating, or reorganizing redundant or outdated agencies or programs; improving the delivery of services to states or individuals; and streamlining the regulatory process and coordinating the regulatory functions of federal agencies. The evidence for the need for change in each of these areas is overwhelming.

I recognize the primary topic of the hearing today will likely be President Clinton's efforts to begin immediately a six-month performance audit of the executive branch to identify wasteful spending and inefficient operations. I applaud the President's determination to address these problems.

Unfortunately, a six-month audit will not address all the areas that need attention, and many of the recommendations will require action by Congress, which has often been a stumbling block on the road to an efficient government. In fact, the last major government reform effort, the Grace Commission, estimated that nearly three-quarters of its projected savings needed congressional approval—and Congress failed to act.

Our commission is well-suited to build on and expand on the work of the "auditors," and has the added advantage of establishing a mechanism for implementing the reforms that need Congressional action. By requiring the commission to submit implementing legislation, and putting that legislation on a fast-track, we will be giving ourselves and opportunity to consider a package that would substantially change the way the federal government does business.

Mr. Chairman, there is a six-word statement of what Senator Lieberman and I want to do: give Americans a government that works. They deserve nothing less. I look forward to working with the Committee and the administration to make this goal a reality.

Chairman GLENN. Thank you.

Senator Dorgan.

Senator DORGAN. Thank you very much, Mr. Chairman.

It seems to me it is not just government, but probably especially government, when we discuss that large institutions by their nature become bloated, inefficient, and resistant to change, and that pretty well describes how institutionally muscle-bond the government has become.

C. Northrop Parkinson, whom you may be familiar with, wrote about Parkinson's law, one of which was he said in a war situation there is an inverse relationship between the number of generals on one side and the number of enemy killed on the other, describing the problems of organization.

He also describes circumstances in which you would take 1000 people, rent a building for them, give them a company name, give them no product to produce and no mission, and he said the nature of organization is such that if you came back 6 months later, as long as they all had desks and papers and telephones, some of them would be working overtime. [Laughter.]

It is the nature of the way people organize and the way they behave, for them to find so much work to do, just trading papers and establishing procedures and regulations, that they don't really need a sense of function. And I think that is useful to discuss today in the context of what Mr. Bowsheer has testified to.

I have been looking at advisory commissions of the Federal Government. There are only in the letter A in the alphabet 238 advisory commissions and committees. That is just in the letter A. Every single time we sense a problem, we create something else to look at it, in every area. We have a Volatile Organic Chemical

Equipment Leak Rule Negotiated Rulemaking Advisory Committee. This is one. There are 238 in that same letter A.

We are talking here about an advisory committee, and I will not use the mother of all committees, having read the Washington Post admonition about that. But we are talking about an advisory commission that reviews the general context of what government does and how well it does it.

Sort of under that umbrella, last year I proposed—and I am going to continue this year and hope maybe some colleagues will be interested—that we take a look at one facet of government and that is the facilities in the non-military side that we can't close. We have a system for base closing now, and it sort of takes politics out of it, because people look at all the bases, submit recommendations and you have to take all of them or none of them, so it is an up or down vote, yes or no, and we have I think in two previous rounds, and this year I think we will be successful again to close bases, where previously we couldn't do that.

I suggest that we do exactly the same thing in the civilian facility closing commission. Do you know that we do catfish research in three separate Federal agencies? You know, it seems to me that while catfish research might be admirable, it is probably useful to do it in one agency, not Interior, Commerce and Agriculture, maybe in one location. You can't change it, because all three research facilities represent facilities that are important to some location in the country.

So maybe we ought to do a civilian facility closing commission, in which in all of these districts and States we take a look at what is necessary to continue and do well and what ought we close, and then you do up or down and probably get rid of a lot of civilian facilities, government facilities, non-military facilities that we could close in one fell swoop. If there are those on the Committee that would like to work with me on that, it is something that I am going to continue. It is something I developed last year in this waste task force that I looked at. I think it is a fascinating approach to mirroring on the non-military side what we are doing on the military side.

Having said all that and said too much, Mr. Bowsher, I want to say that I think your organization does some very important work in helping all of us. On this waste task force, I spent a lot of time looking at GAO reports, looking at IG reports, and there is an enormous amount of good information out there on how to change government, if only we would grab it and organize it and just move forward.

The new commission may not create a lot of new information. Much of the information that is necessary to do the right thing has already been created. It is simply not implemented. You might want to comment on that, Mr. Bowsher, because you have already done a lot of work on it.

Mr. BOWSHER. We have done an awful lot of work and we have done management reviews of close to half of the Cabinet level departments, and so I think that a lot of our work can be made available to the Gore effort and to any commission that is put together here. And we have done a lot of program work, as you are well aware, Senator, so that I think the work that GAO has done and

can do here in the next couple of years can be most helpful to these efforts, and I think there is billions of dollars to be saved, I really do.

Senator DORGAN. I might say the Inspectors General have done an enormous amount of work, as well, complimenting that base of information of GAO.

Mr. Chairman, thank you very much.

Mr. BOWSHER. If I could just make one comment, though, on Senator Dorgan's comment, you know, I served as Assistant Secretary of the Navy for four years at the Pentagon in the 1970's, and the VCNO, the Vice Chief of Operations one day went back and read some history on World War II and realized that they didn't have near as many meetings and as much paperwork flowing back and forth at the height of World War II as we were doing in the middle 1970's, and I understand it has got much worse at the Pentagon since I was there. You know, I think you are absolutely right, if you fill a building with a lot of people and, boy, you can—and we were working overtime, we were working overtime nights and Saturdays and everything else.

Senator DORGAN. It is also true that we had fewer generals and admirals as a ratio in the middle of a war than we do in peacetime.

Mr. BOWSHER. No question.

Chairman GLENN. Senator Lieberman.

Senator LIEBERMAN. Thank you, Mr. Chairman.

I would like to yield to Senator Pryor for a very timely announcement.

Senator PRYOR. Thirty seconds, Mr. Chairman, for two observations.

One, we have today over 10,000 people in our Federal Government, over 10,000 who work for our Inspectors General, which I think is an enormous bureaucracy within itself.

Mr. BOWSHER. That must include all the military, does it?

Senator PRYOR. I don't know, but I think it is over 10,000. Secondly, I wanted Senator Dorgan to realize that next Wednesday afternoon, at 12 o'clock, Dale Bumpers' and David Pryor's catfish luncheon is going to— [Laughter.]

He is still going to be invited. [Laughter.]

Senator DORGAN. Are these research catfish?

Senator PRYOR. They are researched so well, I can't tell you. [Laughter.]

Chairman GLENN. Yours may be a little old, but—[Laughter.]

Senator LIEBERMAN. Thank you. I am sure, Mr. Chairman, it was worth yielding for that announcement.

Mr. Bowsheer, thanks again for your excellent testimony.

The GAO has published a four-volume set entitled "Status of Open Recommendations."

Mr. BOWSHER. That's right.

Senator LIEBERMAN. Four volumes covering almost 1,000 pages and almost as many recommendations, a pretty considerable number. As I look through them, very few of them seem insignificant. Most of them seem quite significant and substantial and sensible to me.

I wonder if you would comment on why there are so many open recommendations, and this really has to do with the responsiveness of the Federal Government to what you do.

Mr. BOWSHER. Actually, we track those recommendations very closely and we have about 70 percent of them adopted over a 4-year period. So when we issue that document on an annual basis, why, there is always a large number of them, but quite a few of them finally get adopted, but it lots of times takes a second or third year and sometimes into the fourth year to get those adopted.

Of course, some do not. In other words, sometimes very significant recommendations don't get adopted, and I think at that time, lots of times, taxpayers are losing, because I think, generally speaking, our recommendations are right on target and generally are agreed to. We don't put them in that booklet unless they are.

Senator LIEBERMAN. I agree with you. I think the probability is the taxpayers are losing also when your recommendations are not adopted, and one of the ways in which I view this idea of a government commission, particularly a commission that continues on, is that it will be an instrument for helping you to implement your recommendations.

Mr. BOWSHER. I think that would be very helpful, yes.

Senator LIEBERMAN. Particularly so when they involve legislative action, in other words, when your recommendation necessitates some legislative action.

The Grace Commission, as I have looked at its work, generally speaking, I think if fully implemented, half of its recommendations could have been implemented by administrative action and probably the other half, maybe a little less, legislative action, and that is where I come back to the conversation that you had with Senator Roth, which really goes to how important it is for us to set up a mechanism which makes that legislative response to these proposals more likely.

I wondered to what extent you think that some of those recommendations that you have made have not been adopted, because they required legislative action and the groups that would have been adversely affected by your recommendations essentially lobbied Congress not to act.

Mr. BOWSHER. Well, there is a certain number of that, there is just no question. Of course, lots of times, as somebody here pointed out, some of the interest in the private sector are the ones that are against some of these changes and some of these reforms, and so that has been a factor with some of our recommendations, just no question about it.

I think another thing, too, that is important to point out here, and that is that a lot of the government programs today are carried out in the private sector, and so having proper oversight on how those programs are done is very important, and some of them need some changes and improvements, and I think that should be part of this commission's responsibility.

My example is that, you now, we have spent a fortune on the S&L crisis, and one of the reasons was we passed some legislation and then we cut back on the resources to find out how it was working out there, and then all of a sudden we had huge problems come

to the Federal Government and it has cost the American taxpayer about \$200 billion literally in 4 years here.

So there are some of those areas that I think a lot of thought should be given to in the next 2 to 4 years here, and that is that the whole delivery system, not only the government's agency's role, but the role of the private sector people that are very much involved in these programs.

Senator LIEBERMAN. It is an excellent idea and I think we ought to consider expanding the proposals that are before us to include that.

I just want to come back and say in response to your earlier part of your answer that I think you show again why it is so important for us or some of us on the Committee feel it is so important to create an expedited process that guarantees that recommendations from the commission, some of which will be your recommendations, get heard in a timely fashion and are subjected to an up or down vote in Congress. That is the best way to guarantee that we carry out more of what you would recommend.

I say to Senator Dorgan that I like his idea of a civilian facility closing commission. In fact, I think that some of the fast-track up or down process proposals here really are meant to do just that, that are already before the Committee, and we ought to change some wording or direction or language to make sure that we accomplish what you want to accomplish.

Thank you, Mr. Chairman.

Chairman GLENN. Senator Pryor.

Senator PRYOR. Thank you, Mr. Chairman. I appreciate Senator Lieberman yielding me that time a moment ago.

I would just like to say, Mr. Bowsher, I think that what we have missed out on in the last couple of decades is what I consider to be a fact, that OMB has really concentrated, I think, on the budget and not the management, in other words the "M" has been kind of a vacant position. I don't think we utilized OMB to really manage the programs and to manage the government as it was set up.

I guess OMB was formed about 1969, as I recall. I am very proud that our President and the OMB Director, Mr. Panetta, have chosen someone from the private sector as our nominee for Deputy Director, and that person is Phil Lader. Mr. Lader, I believe, is really going to bring into OMB a breath of fresh air and a new perspective on how we look. I think Senator Roth and others might agree that we need a new perspective in OMB, especially as to the management equation of it.

That is not a question. It is a comment, if you care to make some observations.

Mr. BOWSHER. I would like to comment, because I think you are absolutely right. I think OMB is crucial to this whole effort here, and I am very pleased with the new team over there. In other words, Congressman Panetta I have known for a long time, and Alvin Rivlin and Mr. Lader who I don't know, but certainly seems to be a fine person, and the fact that they were willing to keep on the CFO that they brought in, a very fine person from the State of Virginia, Ed Mazor.

So I am seeing for the first time in my 12 years in this job I think an OMB team that looks like it is really committed to trying

to look at the management side. Frank Hodsoll in the last administration worked very hard. He was kind of a one-man show and he surely put in tremendous hours and I have always thought Frank was trying to do it, but he didn't have the resources and I don't think they had the commitment.

I think if you are going to solve these big budget problems, you have got to look at the management and the programs. In other words, you are not going to do it by nibbling at the edges of the budget submissions, and that is basically the way a lot of the budgeting has been done in recent years.

As I testified here a month ago, there are four or five big programs that drive the budget. It is defense, it is health care, it is interest cost, it is social security, and these are the big areas that have to have some really good management program attention, if you are going to solve a \$400 billion or \$350 billion, or however you want to count it, budget deficit.

Senator PRYOR. I really appreciate those comments. I can see, just observing the administration thus far in the first few weeks, that our new President has a searing interest in trying to make the Federal system work better, and I really believe he is committed to it and that some of the people who he is now choosing will help bring about his commitment.

Mr. BOWSHER. If I could just make one more comment, Senator, and that is if you plotted the length of tenure of the M in OMB, taking Frank Hodsoll out of the picture in the last 4 years, I mean it would be, I am going to guess here, less than 15 months. I mean they churned through that position and, you know, you can't get anything done with that kind of leadership. So I think this is very crucial.

Senator PRYOR. I know you just made the comment that you don't know Mr. Lader. I hope you get to know him better. By the way, he is sitting right behind you. [Laughter.]

Mr. BOWSHER. Let me point out that he has already come over and met with us at GAO.

Senator PRYOR. You are going to be a great team.

Thank you, Mr. Chairman.

Chairman GLENN. Thank you very much.

I would just say, too, we know of the intent to nominate Mr. Lader. We haven't received it officially yet up here. We are looking forward to getting that, so we can get you approved and in the position over there.

Senator COCHRAN. Mr. Chairman, before Senator McCain left, your former friend or maybe current friend, he asked me to ask a couple of questions for him and I agreed to do it, and then I read the questions and now I know why he left. [Laughter.]

Here are his questions. It is kind of like pulling the pin on a grenade and leaving and asking your friend to throw it. [Laughter.]

He said that according to the Congressional Research Service, the GAO itself has grown from 1983 to 1993 in terms of employees by just a few numbers, but the funding for the agency has gone from \$252 million in 1983 to \$435 million in 1993, and do you think that is justified?

Mr. BOWSHER. Well, it is basically increase in salary costs. In other words, there has been no growth in GAO in my 12 years

here, and actually there wasn't any the previous 5 years. Our budget is 75 to 80 percent personnel costs. So when you pick that year, you pick a year where you had a pay cap on all the Federal workers and everything like that, and in the recent pay increases and that has really been the big difference of why.

The only other two things that has increased our budget is today you practically have to have PC computers and things like that for all your people to do our type of work, and if you went into any consulting firm or any of the big six accounting firms, you would see the same thing, and that has taken an investment, no question about that.

But our productivity has gone up tremendously. In other words, we produce today a third more reports than we did 10 years ago, and we testify now 300 times a year, where we used to testify maybe less than 100 times. When my predecessor came into office in 1966, I think GAO only testified about 15 times. So there has just been a great—and the number of recommendations and the dollars that we have been able to recommend to you, like the \$300 billion that Senator Levin mentioned on the inventory over there, that was based on our work and things like that.

All this base closure work in the Defense Department, a lot of that is done with GAO staff. So I think we are a very cost-effective group for the American taxpayer, but we are now even trying to bring it down in size. In other words, with our TQM work that we are now trying to do, why, I am hoping that because of the budget crunch, because the American taxpayer wants a smaller government, and I recognize that, I think we can do the important work with somewhat smaller, and I just hope we can bring it down in an organized fashion, so I keep all my good professional people there as we bring it down.

Senator COCHRAN. The second question that he asked me to ask has to do with internal audit and review within GAO. It is a suggestion that the question includes, which is whether there should be an inspector general at GAO or some other formalized way to review audits and follow up on formal complaints within GAO.

Mr. BOWSER. We had an internal audit group at GAO. We don't have the official IG system. We also have been advocating for some time that we have an outside peer review of GAO and it should be done every 3 years, is what the new auditing standards require, and I have been a big supporter of that.

I think Senator Glenn and Senator Roth are planning a review by the National Academy of Public Administration, and so I welcome that. So I agree that GAO should not be exempt from review. In other words, we should be just like everybody else. We should be looked at periodically, too.

Senator COCHRAN. You mentioned looking at some of the other countries. Great Britain you mentioned and there were others, about integrating political decision-making with government, I guess civil service responsibility and carrying out mandates and that kind of thing from the chief executive throughout the government.

In that connection, I am sure that there is a continuing problem in some agencies and departments getting the word down to the

people who actually implement the regulations and carry out the directives.

I think particularly of the Treasury Department right now, where the President is calling on the regulators to implement some changes with respect to loan-making or regulations relating to issuance of credit, to try to make sure that we don't unnecessarily restrict the flow of credit to small business at a time when we are trying to create jobs and stimulate economic growth and all the rest, and I applaud that change. I think it is overdue.

But I do recall Nick Brady being up here and we questioned him and passed on complaints to him and he would say, well, he has put out this directive to do this and do that, and it would seem like nothing would happen. I wonder whether or not GAO will undertake, this is a request, to follow up and monitor the progress at Treasury of carrying out these new directives. I am sure the President means what he says and he wants to see this accomplished, and I do, too, and I think it will be good for the economy and good for the country to try to identify over-zealous regulation, unnecessary regulation that is impeding economic progress in our country today.

Mr. BOWSHER. We are already working on that at the request of the two Banking Committees, and I think there is a problem there. They have got some documents that we have now collected that are an inch thick on some of these small business loans and it just got too much paperwork, too much regulation and everything like that.

The small business people did not cause the banking crisis or the S&L crisis, and so I think they have gone overboard. We will monitor it and we will be reporting to both committees, and we would be happy to keep you informed, Senator.

Senator COCHRAN. I appreciate that. Thank you.

Chairman GLENN. Thank you, Mr. Bowsher.

We are going to have to move along here. We do have other witnesses and we hope you would respond to any additional questions we may submit to you, Mr. Bowsher.

The NAPA study was referred to. The Committee worked out an arrangement with NAPA to do that study. We saved some money on that. The proposal last year was about \$2 million to have some outside people do that. We were able to work that out with NAPA for \$500,000, and we think they can do a good job.

Mr. Bowsher.

Thank you very much.

Our next witness this morning is Mr. Leon Panetta, Director, Office of Management and Budget.

Leon, we are glad to have you with us this morning, and we look forward to your testimony.

TESTIMONY OF LEON E. PANETTA,¹ DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. PANETTA. Mr. Chairman, thank you very much.

I apologize for being delayed, but in line with my commitment to this Committee when I was going through my confirmation hearings, I spent the first two hours this morning working on the "B"

¹ The prepared statement of Mr. Panetta appears on page 87.

at OMB, and now the second two hours working on the "M," so I am trying to give equal balance to our budget functions and our management functions.

Chairman GLENN. We have been pushing that concept for a long, long time on this Committee, as you are aware.

Mr. PANETTA. Thank you, and again I apologize for being delayed, but I was over on the House side working on budget issues over there.

Mr. Chairman and Senator Roth, again it is a great pleasure to have the opportunity to be here. It is almost precisely two months after appearing before you on the subject of my confirmation, and I am here to discuss the various proposals that are being considered by this Committee to help our government to try to be more effective and efficient at bringing programs and services to the American people.

Incidentally, Mr. Chairman, I would ask that my statement be made a part of the record and I will summarize it.

Chairman GLENN. Without objection, it will be included in the record in its entirety.

Mr. PANETTA. I am particularly delighted that you are considering proposals that go beyond just window-dressing, the kind of things that we have seen in the past, but that address I think in a very fundamental way the need to transform our government and to try to get it back to the business of doing the business of the people.

I am no stranger to suggesting the need for substantial change. As both of you and the members of this Committee know, Senator Campbell has introduced a bill which I introduced in the House last year, and I just want to point that out not only to reflect on his excellent judgment in doing that, but probably, more importantly, to show that it really is the kind of worthwhile effort I think all of us need to engage in, as we try to confront these issues.

I also would be remiss if I did not acknowledge the outstanding work that this Committee has done under your leadership in continuing to try to improve the management of the Federal Government. Both the Nation and those of us who are now working in the Executive Branch are benefiting from your efforts in enacting legislation to strengthen the financial accountability and controls, to attack waste and fraud, and to try to provide a capable and skilled workforce.

I have got to tell you, Senator, when you told me this was going to be a tough job and a very encompassing job, I am finding out just how all encompassing it is, and am very pleased, very frankly, by the legislation that I see with regard to the inspectors general, with regard to our financial accountability and in working with the people in those operations, and am more than ever convinced that we have put in place some very important accounting vehicles to try to insure good management, and that was due obviously to the wisdom of people like yourself and Senator Roth and others who really have exercised leadership in this area. I am now seeing it from the other side and just want to extend that compliment to all of you.

If I can, let me just speak about two or three key issues here. First of all, the National performance review that we are currently

engaged in, as you know, the announcement last week was made with regard to this major initiative. Many of you participated in that press conference with the Vice President.

We are making a very serious effort here to try to streamline government. Just so you know, in the budget itself, for those that have not followed that, we have included about \$8 billion in essentially what I would call streamlining government.

The way we really got into this is we were reviewing various budget areas, and we looked, as an example, at the Department of Education and identified some 60 programs at the Department of Education that we thought could be either consolidated or done away with.

The judgment was made, at that point I said we have new secretaries coming into these offices, what I will do is basically provide for those secretaries a sum that they have to achieve in savings and give them the authority to recommend how their agencies will be streamlined.

So I said to the Secretary of Education these are our suggestions, you decide how best to try to consolidate these programs or what programs ought to be done away with, it is your job. But to put some teeth in this, I basically said you have got about \$8 billion in savings spread throughout the departments for the purpose of streamlining and trying to do the job better.

So we are, in fact, trying to put some teeth in this process to make sure that all the secretaries are going to review each of their departments for purposes of doing exactly that.

The principal features of the review process are, first of all, we want to go back to the knowledge that is already there. As all of you know, the great danger in this business, when you look at management, is recreating the wheel, doing another review, doing another report and basically having it sit on somebody's desk some place, and that is not what we want to do.

What we want to do is to build on the operations themselves, and the way we would like to do this is that at OMB, I am going to go through a major spring review at every department. We are on a fast track, as you know, with the budget. We had to do the budget within a 3- to 4-week time frame, and we are now trying to complete the full budget report by the end of March.

Then what I would like to do after submitting that report is sit down with each agency and go through a very in-depth review of everything at that agency and everything at that department, and as we go through that process, be able to focus on the management in each of those departments and agencies and draw suggestions based on what they have done.

The Vice President will obviously be working with that process, as we go through that, and feels that this is an excellent way to try to draw from the knowledge that is out there in terms of how we can try to improve management.

Second, the review will enlist recommendations from the American public. It is the taxpayers who are the people that pay for these services and are entitled to these services, and they are the ones, very frankly, who have some of the largest gripes with regard to how government operates.

We found that out when our 800 number as a result of that announcement was absolutely consumed by phone calls from the public basically trying to make recommendations as to how government can work better. Let me tell you, a lot of those recommendations make a great deal of sense.

All of us know ourselves, when I was in the Congress, our own casework operations, you can see the problems in the bureaucracy, you can see how it fails oftentimes to deal with the problems of people. As a matter of fact, what we pick up in the congressional offices—I say we, I still think I am a Congressman half the time in working in this job—but the fact is all of you know that what you get as casework in your offices largely reflects the failures of the system to deal with those needs.

I mean it is when somebody goes to an agency and does not get their matter or their concern dealt with, that that person ultimately has to go to their Member of Congress or their Senator to try to get that individual to shake the system up. So in large measure, what we deal with in terms of casework, what all of you deal with in case of casework reflects the failures of the system to do the job they are supposed to do.

Senator ROTH. Will you yield for a question?

Mr. PANETTA. I would be pleased to.

Senator ROTH. Does that mean if we are successful in reforming the Executive Branch, we won't get reelected? [Laughter.]

Mr. PANETTA. No, I suspect that the public will even be more pleased with what you do, if we can make the system work better.

Third, we are going to place very special emphasis again on the quality of Federal services to the citizens of this country. We want to make sure that services are being delivered, as I said earlier. We want to focus on some of those key agencies that, in particular, deal with people on a day-to-day basis, where we have some of the greatest concerns.

Fourth, we want it to be a bipartisan effort. The Vice President, and the President as well, have pointed out that no party has a monopoly either on the fault for creating the problem or the ideas for solving it, and so we are going to be working with individuals on both sides to try to determine how this reform can best be put into place.

Last, we are adamant that this review will not result, as I said, in just another report, but that it will result in recommendations that we can immediately put into action. That is the key.

We expect that many of the recommendations will require either new legislation or amendments to existing law. We are going to be looking at a broad range of changes that may need to be made as a result of this review.

There is much to be said—and let me just stress this—there is much to be said for developing legislation that would allow for quick congressional action on these kinds of recommendations, and I want to work with this Committee in defining more precisely what that would look like. As a matter of fact, I think some of the proposals that you are working on here may give us that opportunity.

On S. 20, I just want to indicate, as I indicated in my confirmation hearings, that we are very interested in performance budget-

ing. S. 20, the Government Performance and Results Act of 1993, is an excellent vehicle, and I want to advise the Committee today that this administration strongly supports this legislation and will work with you to try to get this legislation adopted.

I want to acknowledge not only the work of Senator Roth and the Chairman, but also on the other side of the Hill Representatives Conyers and Clinger, the Chairman and ranking member of the Committee on Government Operations, for introducing similar legislation in the House.

You know what the elements of that are and I do not have to go into it, but I do want to stress that we want to try to get that legislation into operation as quickly as we can. I have already, in working with Phil Lader who, while he hasn't been confirmed by this Committee, is working his rear-end off right now on the whole management side and he is in place and working hard, and I feel very good about his leadership, incidentally, in that position. But we are already starting to try to set the framework for getting performance budgeting in place.

We want to build on a system that comprehensively sets out to look at performance, that makes clear that we have result-oriented performance in terms of each of these agencies and departments, and we want to make sure that they do it within the budgeted amounts that we have given to them. There is really a very good relationship here between what you provide an agency in terms of the budget and how they do their job, and that really can work together. So you really have given us a great opportunity.

I would like to suggest that, in terms of that, we want to be able to adopt a performance measurement, performance budgeting, but also we may need some managerial waiver provisions in order to assure that, as we work through it, we might be able to slice through some of the regulatory overhead to try to allow some of these people to do their job at the local level in a more effective way. I just would recommend that that is something we need to look at.

We have suggested some amendments to the proposal. One would be to provide an opportunity to adjust the bill's permanent provisions on the basis of 3 years of experience from the pilot projects that it requires, so that we can go back and try to make use of that recommendation from those pilots and the information we draw from those pilots.

A second set of amendments would allow for more flexibility in how alternate forms of performance goals could be designed and in reporting actual performance against such alternate forms.

Let me, finally, talk about the commission. I know there is a great deal of interest in that. As I said, I respect the judgment of all of those who have submitted those commission ideas. I have submitted commission proposals when I was in the Congress, in an effort to try to get this job moving.

The tasks of each of the commissions vary, depending on what bills you look at. Aside from the common element that they are all commissions, they would basically charter reviews and recommendations in a number of areas, and I think they are all targeted in the right direction.

What I would commend to all of you, to you, Mr. Chairman, and the ranking member, Senator Roth, and Senator Lieberman and the others who have worked in this area, what I would like to commend to you is the opportunity to try to work with you in trying to see if there is a way to try to fashion this so that it complements what we are trying to do on the review process.

What I don't want to do right now is to duplicate what the Vice President's review is all about, and that is the concern we have with regard to establishing another commission that would basically duplicate what the Vice President is trying to do.

I think we have shown to you that we are serious about this effort with regard to reviewing how government manages itself. We have got \$34 billion in the budget in terms of dealing with changes in government, reductions in administrative overhead going up to about 14 percent by the end of the fourth year. We start with 3 percent and go to 6 percent, 9 percent, 14 percent reduction in administrative overhead.

We also obviously are reducing the number of employees at the Federal level by 100,000, and it will probably be closer to 150,000 by the time we are through with the defense reductions. We are also doing the streamlining that I spoke of earlier with regards to each of the departments.

In addition to that, we now have this review going on by the Vice President. So I think, hopefully, from that you will draw the conclusion that we are serious about doing the kind of review that needs to be done on management.

I also recognize that when we come to the end of that process, we may very well need to have an expedited approach to getting those recommendations into place. I know that many of you have looked at the Base Closure Commission as a model for what needs to be done in this other area. I guess what I would recommend is that we would continue to work together, because perhaps at the end of the road on a review that is done by the Vice President—incidentally, that is a very short time frame, we are looking at getting this report done and ready for printing probably sometime in August, because we want to get it published and presented to the public by September—that the possibility of then perhaps using one of these ideas to present it to a commission that could then facilitate a recommendation to the Congress that could then have a quick vote with regard to those recommendations.

So I think there is an opportunity to work together here on this approach, and I look forward to doing that. I think all of us have the same goal in mind. We want to improve how this government operates, and I want to work with you in that effort.

Chairman GLENN. Thank you very much.

We have seen the commission as being very complementary to your efforts, neither one replacing the other. I think they are trying to take on different things. The commission would look at really big patterns of government organization and so on that I don't think the 6-month performance review is going into, and we are happy to work together with you on that, as I have told you before.

As you see it now, do you think that most of the performance review the Vice President and the group will come up with and that you will come up with, will most of those things be able to be han-

dled by executive order, or do you foresee that there will be major legislative packages required to implement this?

Mr. PANETTA. Senator, I have to tell you that, as a result of what I have already seen in the operations at OMB and, in particular, as an example in terms of the reductions in force and how to try to implement those in a way that makes sense, I think we are going to have to look at not just Executive actions. I think you are going to have to have major legislative action as part of these proposals.

Chairman GLENN. Would these be specific as you see them now, or would this be general. I know past administrations sometimes have chafed under the restrictions they have and wanted additional presidential authority. Which approach would you likely take, do you have any idea?

Mr. PANETTA. I don't know. A lot of it obviously depends on the results of this review. Let me put it to you this way: I think the more specific we are—and I have talked with the Vice President about this—I think the more specific we are about the recommendations we need and the changes we need, the better we can defend that to the public and to you.

Chairman GLENN. I agree with you completely on that. Just a word of warning: If there were broad transfers of authority from Capitol Hill down the avenue, you having just left up here know what the problems are with that.

Mr. PANETTA. Without question.

Chairman GLENN. You mentioned that there might be requirement for managerial waiver to let people do a better job, I believe is the way you put it. I didn't quite follow what you were referring to there. What kind of managerial waiver would you need from up here that you don't already have authority to do?

Mr. PANETTA. With regard to the performance budgeting, what I am interested in doing there is, as we try to implement better performances particularly at the State and local level, for example, as funds make their way down, the ability to perhaps provide some waivers as to some of the requirements that they are required to deal with, so that we can try to increase their flexibility, just their performance, but give them some flexibility in order to do the job better. That is what I am really looking at now. I, obviously, again would want to work with you in that effort, as well.

Chairman GLENN. When this 6-month performance review is completed, can we have you back before the Committee again to present that to us and give us all the details on it?

Mr. PANETTA. Absolutely. Frankly, my hope is that we will be consulting with you and with the Committee, as we go through this process.

Chairman GLENN. Are you going to look at changing not just the boxes under an existing organization or maybe combine a few boxes, but looking at reorganizing along functional lines? What I am referring to is along the line of one of the examples you gave a little while ago, one that I had in my opening statement and that I believe we will have in later testimony today.

In job training, for instance, we have 125 programs, 48 funding sources in 14 departments or agencies. Now, if you went to a functional organization of government, obviously, you try and get a lot

of those combined. Maybe some of them cannot be combined. Maybe they are so specialized that they just fit in one little niche. But 125 programs in 14 agencies and so on, organizing a little along functional lines and combining some of those it seems to me could be an enormous advantage and save a lot of money.

Mr. PANETTA. There is just no question that programs, particularly in that area, ought to be moved together, we ought to try to combine them, and we will do a better job as a result of that.

The problem we have had, as you know, is that a lot of these programs have developed on kind of a gerrymandered kind of approach in which members have felt, oh, they wanted to develop a program to deal with that particular problem or they wanted to develop a program to deal with that particular problem, and suddenly we wound up with a lot of programs that may duplicate the effort.

We are certainly finding that out, for example, in dislocated workers. As we try to fashion a defense conversion program, how can we better coordinate all of the programs that deal with dislocated workers so that we, in fact, not only do job training, but also job placement. So there are going to be a number of recommendations I think that are going to deal with that kind of consolidation.

Chairman GLENN. We are not just looking at waste and duplicate programs, either. We had testimony before this Committee that the IRS has some \$30 billion that is immediately collectible, \$110 billion owed, but a lot of that from bankrupt corporations and bankrupt individuals. But actually \$30 billion out there should be collected and is not, so there is as lot of it that can come on that side of that organization, also.

My time is up here, but there is just one thing I wanted to mention, because we brought it up before you came in the room, about the 5-year post-employment restriction the President has proposed. I had mentioned one day over at the White House in another meeting to the President that one of the problems I saw even bigger than the 5-year restriction was getting people to serve long enough to do the job they are brought in to do. And I gave the figures earlier this morning that OMB had helped me gather. The President asked me to respond to him, and I will, but I will give you some of the information this morning, anyway.

Basically, it is that 31 percent of the political appointees that came into government in a 10-year period before 1991 only served for 18 months or less, 50 percent of the people were only in for 27 months, and 66 percent, two-thirds of the people served 36 months or less.

Now, you can put "M's" back in OMB until you have multiple M's in the middle of OMB, and that is not going to help you run the government, if you don't keep your management people in and have a commitment from them to serve long enough to do the job they are brought in to do.

My time is up on that. I will get the letter over to you.

Mr. PANETTA. You are absolutely right. As you know, it is tough work and I am beginning to appreciate why people get in and out. [Laughter.]

Chairman GLENN. You may remember at your hearing, and I was not speaking facetiously, I said as far as the day-in and day-

out operation of government, you are the second most powerful man in government, second only to the President himself. I believe that, because you not only put together the budget, you are trying to manage government. You are, in effect, a CEO which some people—there is a proposal I believe that will be made later to maybe have a chief operating officer of government. You are, in effect, our chief operating officer of government, and so I think you are in a very tough position, but we just want to help out and make this thing run right.

Senator ROTH.

Senator ROTH. Thank you, Mr. Chairman.

It is always a pleasure to welcome you here, Leon, and we look forward to working with you on this government reform.

Mr. PANETTA. It is good to be here.

Senator ROTH. As I have said publicly on several occasions, that I strongly support and approve of the initiative of the Vice President in the reform area, I do want to say that I think it is complementary with what a number of us are proposing in somewhat different forms, but with the same goals, the same objectives of making major structural change in government.

I hate people who read back statements I made before, but I will go ahead and do it, anyway. In response to a question I—

Mr. PANETTA. My opponents used to do that all the time. [Laughter.]

Senator ROTH. In confirmation, I asked whether you would support a commission, and you said "I think you have to do it. I think you do need to have a commission do it, because, frankly, the problem is that it has to be done in a comprehensive manner. If you just try to nitpick away at this, you will never get anywhere. You will run into jurisdictional problems in the Congress on both sides. I do think it is essential that we do that, and I think this is important. We have not moved into the 21st Century yet in terms of our structure of government."

So I cannot urge too much the support of the administration, which I think is serious, deadly serious about reform, that we move ahead with a commission. I think bipartisanship is critically important, if we are going to get any meaningful reform, because you know and I know that we talk about the kind of strategic structural reform that may do away with agencies, departments or possible programs, depending on how we shape the mission.

You are going to need support from both sides, and if you are going to get support on both sides, frankly, the people on the minority side, as well as the majority side, want to be in on the take-off. So I think that is the great advantage of having a truly bipartisan commission.

I think President Truman was very smart in what he did. he appointed former President Hoover. Frankly, the credit primarily rebounded to President Truman. But what worries me, if we delay, if we delay the creation of the commission, let's say the Vice President comes out with his recommendations, some of which may be controversial, and then you try to create a commission. It is like listing the bases you are going to close down before you create the commission. I think you run a real risk.

So what I am urging and asking in a bipartisan way is let's approach this in a bipartisan way from the very beginning. There is much the administration can do through the initiative of the Vice President and the President last week. But if we are really going to do the structural change, if we are really going to move from this, we don't want to be like General Motors, where in their beginning reforms they begin to do a few little things and found out that was not enough. We want to do the job right this time.

Mr. PANETTA. Again, I want to emphasize what I stated to this Committee at the time. I believe that we may need to make these major recommendations and develop an approach to get them through the Congress in an expedited way, and I guess I would refer you to the base closure approach perhaps as a model for what you are trying to do here, in the sense that the department makes recommendations on closures, as they will this week, and those recommendations then go to a commission and the commission makes whatever changes, but based on that, that flows to the Congress.

I guess what I am willing to work with you on and I guess what I would like to explore with you is the possibility that you allow our review to take place, the National performance review with the Vice President, allow us to put those recommendations in place. And it is not to say that we cannot work on a vehicle that could then take those recommendations and then refer them to the Congress for a vote that could be very tight in terms of the recommendations that we present.

Senator ROTH. Just let me say, Leon, that I strongly agree that as you get into more controversial proposals that are going to take legislative action, that I think the commission should be a vehicle to help get those enacted. So just speaking for myself as one Senator, I would be pleased to work with you. It seems to me the commission that I and a number of others are proposing would want to build on what comes out of the Vice President's commission and not duplicate.

Mr. PANETTA. Our principal concern when we were thinking about this was the concern that as you are going through this kind of in-depth performance review that the Vice President is committed to putting in place, as well as the President, we didn't want at the same time to have a commission going through exactly the same process and then having almost duplicative efforts going on at the same time. Our concern was that rather than doing that, to give us the opportunity to be able to conduct that, we are more than happy to work with you in fashioning an approach that perhaps has those recommendations than going to a commission which would then make the recommendations to the Congress.

Senator ROTH. Let me suggest that, first of all, it will take several months, I am sure, to get the commission enacted into law, and then you have the process of the appointments and so forth. Frankly, I don't really—

Mr. PANETTA. This may not be a problem.

Senator ROTH. I don't see it as a problem, but I would suggest that as a way out of it, you could create some discretion in the President as to when he created the commission. I am a strong believer that we ought to move now and get it done, but you could

give some leeway to the President as to when he puts it in effect, thereby avoiding the problem of duplication.

Mr. PANETTA. Right.

Senator ROTH. Ultimately, I have to say that if you are really going to make meaningful reforms—well, I don't want to say meaningful, because I think much can be done by this initial initiative through the discretion of the Executive Branch. But if we are going to make the strategic changes that require legislative action, I just want to urge on you that there has to be real bipartisan participation in the takeoff.

Mr. PANETTA. I agree. I agree with that. I don't disagree at all with what you said, because I think if you are going to be able—again, I think the base closure approach gives us the best example of that, it has to be done on a bipartisan basis.

I guess what I am saying to the Chairman and to you and to this Committee is that what we would like to do is to work with you in perhaps fashioning how the work of the Vice President and the review can, in fact, be coordinated with the kind of approach that you are suggesting, so that maybe they can all come together in September when the recommendations are made.

Senator ROTH. That, frankly, makes very good sense to me.

I also want to thank you for your support in S. 20 performance goals. We certainly look forward to working with you on any amendments that you feel essential. But I think that is a key step forward in trying to change the way government does business.

Mr. PANETTA. Absolutely, and the faster you can get that bill into place, the faster we will be able to implement these pilots and get it going.

Senator ROTH. Thank you, Mr. Chairman.

Chairman GLENN. Senator Levin.

Senator LEVIN. Thank you, Mr. Chairman.

Welcome, Leon. First, I want to congratulate the President, the Vice President and you for what you are doing. I think it is very significant that you have taken the bull by the horns and said that 6 months from a specific date there will be specific proposals to make specific savings in programs that are going to be significant.

Your national performance review, which was announced the other day, during that the Vice President said on March 3rd, mark this date. Later on, he said 6 months from this date we will have real results and real proposals to offer, we don't need another report to put on the shelf to collect dust, to which I say amen.

Now, that is an acceptance of responsibility in a very major way, a very serious statement on the part of the President and the Vice President. I welcome it, I admire it and I think it is the only way we are going to get anything done around here, is if that kind of the buck stops here approach is adopted by elected officials.

Frankly, I am leery of the commission. I have seen too many commissions, and I know this is going to be different. I have too many times heard too many commissions appointed with the promise that this is going to not be like every other commission. If that is the way to implement recommendations, fine, I am willing to consider it.

But I have got to tell you I am leery of it and I think you are wise to suggest to us that, since you have taken the responsibility,

you have accepted the buck stops here approach with your national performance review, that we let that process work before we put into place something which could be frankly used as a dodge for not taking the kind of action which has to be taken. Because commissions can sometimes promote reform, but at other times they can be an excuse not to do something.

Now, you have talked about the Base Closing Commission. One of the key elements of the Base Closing Commission is a recommendation that is unamendable. It is up or down, take it or leave it. That is an extremely significant shift of power to an unelected commission. We decided to do it because we figured in this circumstance it was the best way to go. It has caused a lot of us tremendous pain in our own States.

It is difficult for me to conceive of our delegating to some commission that kind of a power when it comes to all the programs of government. I think that would amount to an abdication which could not be justified, if you are talking about that major a grant of authority to an unelected commission.

So I would be leery about a Base Closing Commission model for some commission that is going to make recommendations that are take it or leave it, unamendable. The elected officials of this country could not amend an unelected commission's recommendations having to do with the whole function of government. I think it is dubious that that could happen, so I am a little nervous when I hear people casually talk about the Base Closing Commission as a model.

Now, having said that, let me ask you some specific questions. One, do you support sunset legislation? Does the administration support sunset legislation?

Mr. PANETTA. We do.

Senator LEVIN. We heard a lot about bonuses for performance as being part of any restructuring, and from what I have seen recently in the bonus for performance area, I am now skeptical of that, too. So a lot of bonuses are given to a lot of political appointees after an election, and anything that gets into the area of bonuses that are just handed out to folks, as far as I am concerned, are going to have to have a prohibition against any bonuses, I don't care if it is a Democratic or a Republican President, any bonuses going to any political appointee the year of an election or before a new inauguration, because otherwise I think it is subject to misunderstanding, to put it euphemistically, and abuse.

Mr. PANETTA. You are absolutely right. Frankly, I think we ought to prohibit those kinds of bonuses. It does not make sense and it sends a terrible message.

Chairman GLENN. Would you yield?

Senator LEVIN. I yield.

Chairman GLENN. Weren't you looking into that? Didn't we ask you to look into that?

Mr. PANETTA. Yes.

Chairman GLENN. Do we get that report shortly?

Mr. PANETTA. I think within the next couple of weeks we will be getting it to you.

Senator LEVIN. Well, I hope included in that is a specific suggestion we amend the law to prohibit that kind of a thing.

Mr. PANETTA. Yes, there is just no reason for that.

Senator LEVIN. Again, I am not making this as a partisan comment. I don't care if the President is a Democrat or a Republican, we shouldn't tolerate that.

Is it your understanding that flexibility in the administration of programs would permit a program to go above an appropriated amount?

Mr. PANETTA. No.

Senator LEVIN. So you don't see the flexibility moving money from one program to another—

Mr. PANETTA. No.

Senator LEVIN [continuing]. Supporting a program that functions well from a program that doesn't function well would allow you or a program manager to transfer money to a program above an appropriated amount?

Mr. PANETTA. No.

Senator LEVIN. My time is up. Thank you, Mr. Chairman.

Mr. PANETTA. If I could just comment on the concerns you indicated, incidentally also having been the victim of the base closure action, but on the other hand also understanding how that process needed to take effect, I appreciate the concerns that you indicated and I guess it is because of those kinds of concerns that I have stressed the need for all of us to try to work together to see how this can be done in a way that fits with what we are trying to do within government.

I think there ought to be some way to try to expedite action on a set of recommendations. I mean one of the dangers I have seen in the past, when you are dealing with major change in terms of restructuring government, is that because of the multitude of jurisdictions that you are then dealing with in the Congress, a lot of this can be basically bottled up and you could wind up with a situation where nothing moved very quickly.

So we need to set up some procedure that at least expedites actions. I don't want to detract from the ability of the Congress obviously to make changes. But, on the other hand, I also don't want it delayed so much that we can't get these actions accomplished.

Senator LEVIN. That is a very different process from the base closing process.

Mr. PANETTA. That's right, exactly.

Chairman GLENN. Senator Dorgan.

Senator DORGAN. It is nice to see you. Are you familiar with the Texas example of performance review in Texas that was cited by the administration?

Mr. PANETTA. Yes.

Senator DORGAN. Are you familiar with exactly what the ingredients of that was? In other words, some have suggested to me, without any confirming information, that some of that represented getting rid of waste. Other recommendations discovered ways to get more Federal dollars, Medicaid and others, and there has been a lot of controversy about the States milking the Federal system and essentially farming the Federal dollar for everything they can get. Did that happen in Texas?

Mr. PANETTA. I am not familiar with those particular details. I think their recommendations, as they went through it, did develop

some additional imaginative ways to provide some assistance to the States.

Senator DORGAN. You are aware I think that there are 30 States in the country right now who set up shell games and say we are going to increase taxes, provider taxes against health care providers, so that we can leverage additional Medicaid funds into our State, and then they rebate the provider taxes, and the net result is they have gotten enormous Federal funds, increase the Federal deficit, done nothing to control health care costs and can claim that somehow they have done something in their own fiscal area to put it in order, when, in fact, they have simply injured the Federal Government and increase the Federal deficit.

I don't know anything about the Texas example, but I had heard from some that part of that example is what many other States have done in trying to milk the Federal dollars.

Mr. PANETTA. I am not certain at all whether it flowed from the process that they put into place in terms of performance budgeting, but I think that clearly what you are pointing to is an example that OMB is currently looking at in terms of trying to work with the States to try to improve that whole process.

Senator DORGAN. I would like to take a look at that, and if you come across information I would like to have you share it with me.

Mr. PANETTA. Surely.

Senator DORGAN. With respect to Senator Lieberman's comment and Senator Levin's comment about closing non-military facilities, I don't think that will happen in the context of the reform provisions that I am hearing or that I am seeing that are recommended here. I think that will happen in a separate initiative in which you establish procedures by which you develop a set of recommendations on non-military government facilities that are dinosaurs, no longer needed and should be closed as a group across the country.

We can't even close one facility to research catfish, not one, and that is a small little issue. We couldn't close one military base until we put together a commission to package them all together and said you have got to take it all or leave it. My point is I don't believe that what we are talking about in terms of structure relates to the same issue of trying to put together a very specific device to get rid of unnecessary non-governmental facilities.

We should do that, no matter what kind of structural reform we discover is important for the government. No matter what we think is important in structure, we still have to deal with these dinosaur facilities out there that exist in virtually all the districts, been around for 100 years and you can't close it, because somebody important is preventing it from being closed and, on a one-to-one basis, somebody can prevent it.

It is probably true in my State, I am sure it is, and I think you have got to deal with it in a manner similar to the Base Closing Commission. I don't think the Base Closing and Realignment Commission is perfect, but it is not a bad way for us to package these things up and move forward with some efficiency.

I am very interested in the next panel, as well, and I will limit my questions. Mr. Panetta, I think you did a marvelous job in the House as Chairman of the Budget Committee. I look forward to the

work you and Phil and others do in OMB, as we try to streamline and change government.

People voted for change, they wanted change, and part of it deals with the deficit, but part of it also deals with they would like government to work, not waste, and that is the "M" part of OMB.

Thank you very much for your testimony.

Mr. PANETTA. Thank you, Senator.

Chairman GLENN. Senator Lieberman.

Senator LIEBERMAN. Thank you.

Mr. Chairman, without extending the conversation, because we will do it in my private, let me say to Senator Dorgan that the bill that Senator Kerrey and I have introduced does give the commission the authority to eliminate or consolidate—and I use the words from the bill—departments, agencies and programs, including facilities. So I look forward to working with you to achieve the end I think we all have.

Mr. Panetta, thank you once again for being here, and thank you in general for the way you have grabbed hold here and really focused working with the President and the Vice President and now with Mr. Lader, whom we welcome, on this question of governmental organization and waste in government, and I want to thank you specifically for your testimony today.

We are all really heading in the same direction. I think there was some concern here on the Committee that we might get into one of those disagreements that happens around Washington all the time, where people are heading in the same direction and somehow don't manage to work together, and that relates to timing or whatever.

I think in your openness to blending both the National performance review, which the Vice President is going to oversee, and the commission proposals which we have, you have really taken a great step away from that kind of bottleneck, really, and the truth is there ought to be a way to make them complementary.

I totally accept your idea, as the sponsor of one of these commission proposals, that the commission ought not to get in the way of the Vice President's performance review. On the other hand, I think you are absolutely right, based on the Grace Commission and other commissions and your own estimate of what this review will require, that to be fully effective, it is going to require legislation.

It seems to me that one neat way to bring these two together with the Vice President's board reporting on September 1st, if we can move quickly on the commission which might start there or shortly thereafter, give it the opportunity then to take the legislative recommendations of the Vice President's board and submit them to the Congress in January of 1994 and put them on the fast track in the up and down, no amendment process, and that is the most likely way we are going to achieve all that I know you and the President and Vice President want to achieve.

So that is a long way of saying thanks for your leadership and your cooperation.

Some questions were raised before you came in about the scope of the National performance review, and I want to give you an opportunity to respond to them, a major one being will it only deal

with domestic discretionary funding, or will it also get into entitlements at all.

Mr. PANETTA. We have made very clear that it ought to cover the scope of all programs under the jurisdiction of these departments and agencies.

Senator LIEBERMAN. Thank you. And what about the regulatory process, do you think that the review board will also get into that, at least as a matter of process, if not individual regulations?

Mr. PANETTA. I believe that, as well, as we find out where some of the bottlenecks are, we may very well want to try to streamline that process, as well.

Senator LIEBERMAN. Just a final word on the bipartisan support that is building here for the commission. I think another reason why, in the political context, we ought to move quickly on the commission idea is that it is one substantial way, in addition to the specific cuts that we are all working on, that we can say to the public, as we ask them to bite the bullet, that we are ready to have the Federal Government bite the bullet, as well, and this is not just rhetoric long-term, but here we are, we are putting the process in place that will make that happen.

Thank you.

Mr. PANETTA. Thank you very much, Senator.

Chairman GLENN. Before we move on, Senator Roth has one additional question or comment he wishes to make.

Senator ROTH. I just want to make a few comments on some things that have been said, because I think they should be clarified.

First of all, I do want to make the observation that, at least under the legislation I propose, you could close down field offices. I think that would be critically important.

I would also point out that while there have been a lot of commissions that resulted in doing nothing, we haven't had that many commissions with self-enforcement provisions. The base closing and, of course, we are suggesting that we follow that same approach here.

One of the reasons I think the commission is important, going to John Sharp, he himself had testified only half of the recommendations were they able to get adopted, because they didn't have any process along the lines. So it seems to me what we are proposing is very consistent with what the Vice President is doing.

Finally, I don't think we should rule out changing the way we compensate people. I think we have to look at compensating for performance. Perhaps we shouldn't allow bonuses to political appointments or after elections. But I think there are ways of handling that, but I would hate to see us not to look at means of rewarding those who are particularly efficient, if we are going to turn this government around.

Mr. PANETTA. Senator, I think it has to be a very broad-based approach that we look at here. We are obviously going to be looking at structural changes, we are going to be looking at departmental and agency changes in terms of improving coordination, we are going to be looking at personnel changes, we are going to be looking at administrative changes, and it is clearly going to be a very broad effort. That is why I urge that we try to work together here,

because I think the only way this is going to be work is if we keep the partnership up that we have started here.

Senator ROTH. I strongly endorse that.

Chairman GLENN. Leon, before you go, to follow up on Bill's question here, in this short time period, are you going to reexamine anything as big and comprehensive as the whole civil service system or anything like that?

Because when he is talking about different pay scales like the China Lake experiment that we have had hearings on there are pluses or minuses on the China Lake experiments and there is some authorization for you to do that and do some other experimenting like that. But are you going to look at the whole civil service situation?

Mr. PANETTA. I don't want to make civil servants more nervous than they are now.

Chairman GLENN. They are nervous, I know.

Mr. PANETTA. I understand that, but at the same time I think as we go through this process to see if there are ways to try to increase efficiencies and try to give us a little more flexibility to move some people into different areas, we may be making some recommendations. I don't want to suggest that we are going to go into a massive change on the civil service, but it may require some changes that we may need to do legislatively.

Chairman GLENN. Thank you very much. We may have additional questions and we would appreciate your response to them for the record.

Mr. PANETTA. I would be glad to.

Chairman GLENN. We appreciate you being here this morning. Thank you.

Mr. PANETTA. Thank you.

Chairman GLENN. Mr. Lader, we look forward to you getting formally nominated, so we can get going on your appointment, too. That "M" in OMB is something we pushed for a long time.

Mr. LADER. Thank you.

Chairman GLENN. Thank you again.

Our next panel is Mr. David Osborne, author of "Reinventing Government," Margin Gross, author of "The Government Racket: Washington Waste From A to Z," and Peri Arnold, Professor of Government, Notre Dame University.

We welcome you. We appreciate you sticking with us this morning and we certainly look forwards to your testimony.

Mr. Osborne, if you would lead off, we would appreciate it.

TESTIMONY OF DAVID OSBORNE,¹ AUTHOR, "REINVENTING GOVERNMENT"

Mr. OSBORNE. Thank you very much, Mr. Chairman, Senator Roth, members of the Committee.

I have a written statement to submit and I would just like to take 10 to 15 minutes to summarize it.

Chairman GLENN. It will be included in the record in its entirety, without objection.

¹The prepared statement of Mr. Osborne appears on page 93.

Mr. OSBORNE. The first thing I want to do is thank this Committee for its attention to a problem that is so often overlooked in Washington. Washington is a town in which it is often assumed that all the important questions have to do with policy. You decide what the policy should be, what the programs should be, how much in taxes should pay for it, and then it is assumed that it will work. Of course, in the real world of the Federal bureaucracy, that is not a safe assumption.

I also want to applaud you for the attention you have given in this hearing to S. 20, the Government Performance and Results Act, and to the commission bills introduced by I gather half a dozen Senators, at least, at this point.

It will not be an easy task to fundamentally improve the performance of the Federal Government, but it can be done. State and local governments all across America have restructured themselves in very fundamental ways. Other developed nations around the world have done so, as well, Great Britain, Canada, Australia and New Zealand are all light-years ahead of the United States at the National level in bringing their governments into the late 20th Century, not to speak of the 21st.

I think if we are going to be successful, we have to understand, however, what kind of restructuring is necessary. When public leaders talk about restructuring government, doing these kinds of commissions, their assumption is often what we should do is reorganize government, we should move the boxes around. I think in 1993 that would be a little bit like rearranging the deck chairs on the Titanic.

The second assumption people often make is that what we need is an efficiency commission which should streamline, eliminate, consolidate, et cetera. We certainly need to do that, but I think in 1993 that would be a little bit like throwing a few deck chairs off the Titanic. It doesn't get us as far as we need to go, and we do it this year and 5 years later we have to come back and do it again.

I think that what we need is not simply an efficiency commission, but a commission that changes the basic Federal system, the budget system, the civil service system, the procurement system, the accounting system, the give everyone their marching orders and that restructures basic Federal programs, such as the 557 grant programs for State and local government that Congress funds.

We need to create a Federal establishment that constantly pares away the obsolete and streamlines and eliminates failed programs and rewards innovation. The goals should not be to weed the garden once. It should be to create a regimen that keeps the garden permanently weed-free.

Now, to do that you have to restructure the basic incentives that drive every Federal manager and every Federal employee. Our bureaucracies grow so large and cumbersome, not because anybody works in them wants it that way. They grow that way, because we give them incentives that make it inevitable.

For example, most of our public programs are monopolies and their customers can't go anywhere else, so they don't have the discipline of competition. Most are funded according to their inputs. It is how many people they serve, how many people are poor

enough to qualify. It has nothing to do with the outcomes, the results that they achieve.

Most are considered important, not because they achieve results, but because they get bigger. And most Federal managers are rewarded both in stature and pay, not because they do a tremendous job, but because they have a bigger staff. If you have incentives of that nature, the bureaucracy inevitably gets bigger and more bloated and less effective and less efficient.

What we have to do is change those incentives. We need to create a set of dynamics through the use of competition, the measurement of results, decentralization of authority and the creation of real consequences for success and failure that give public organizations no choice but to get better, no choice but to streamline, no choice but to eliminate the obsolete.

We don't need to redesign the organizational chart so much as to redesign the basic systems that give everyone their marching orders, so that we create public organizations that constantly improve, the constantly redesign, that constantly innovate, that constantly get their costs down and their quality up.

Now, the most powerful incentive system we have is the budget system. The way an organization gets its money, the strings that come attached are the most important thing driving that organization's behavior. For example, many Federal agency budgets—and some of this is done by Congress and some of this is done at the agency level—but many Federal agencies receive their budgets separated into a lot of different accounts, line items.

There is a military branch in which installation commanders have 26 different line items for housing repairs alone, and it is very difficult to move the money from one line item to another. So you get situations where the money may have been in the right accounts two years ago, but conditions have changed, and yet the managers can't move it.

For example, on the military base, when the snowplow, the \$100,000 snowplow dies and the base has a line item for maintenance, but not to purchase snowplow equipment, so they lease a snowplow for \$100,000 a year, rather than buying a new snowplow for \$100,000. That is a true story. That story is repeated literally hundreds of times every day in the Federal bureaucracy, so this confinement into line items wastes enormous amounts of money.

Even worse, if a manager doesn't spend every penny of every line item every fiscal year, several bad things happen. They have to give the money back and probably the next time around they get less, because someone decides they didn't need it all. They have absolutely no incentive not to spend all their money, and they have a clear negative incentive, so every manager who is worth his salt in the Federal Government spends every penny of every line item every fiscal year, whether they need to or not.

Senator Krueger put an ad in the *Washington Post* a month or so again, you may have seen it, asking for examples from Federal employees of waste, and something like 30 percent of the calls dealt with this problem. One was from an Air Force pilot who said at the end of every fiscal year he spends about a week up in the air burning excess fuel, so they don't have any fuel left in that account. It happens all over the Federal Government every year.

The solution has basically three steps: The first, you minimize line items, you let managers manage and move the money around as needed, and I am talking about small line items within one agency. You used to have a line item for each program that has its own mission, but you don't need 26 line items for housing repairs.

Second, you reward agencies that don't spend their entire budgets by letting them keep half of that money and roll it over to the next year. And thirdly, you create a performance base budget, by measuring the performance of each agency and tying real rewards to the achievement of the performance targets.

If we eliminate a lot of line items and if we let agencies roll over money, then believe me, if they can roll over half of the money, their behavior changes dramatically. I have seen this at the local level and at the State level. Managers suddenly realize that it is in their interest to find savings, and every manager knows where they can save money. I mean, routinely, managers tell me sure, I can save 10 to 15 percent of what I spend, but, of course, there is no incentive to do so. You give them the incentive to do so and their behavior will change in dramatic ways.

Now, if you do that, you minimize line items and you let them keep some of the money at the end of the year. Basically, what you are doing is letting up on your control over inputs. To keep the accountability in the process, you need to establish control over outcome, over results. That is where the performance based budgeting comes in, and I think S. 20 is a very good start. I have read the bill very carefully. I think it could be improved in a couple of ways, and let me just mention three specific ways.

Some of the lessons from abroad and from State and local government tell us that unless a legislature puts performance targets in its appropriations, they will never be taken terribly seriously. You have to force legislators who are appropriating money to define the outcomes that they want, and I don't think that is mandatory in S. 20. It shouldn't be done up-front. This is something you do at the end of the process, in year six or year seven, when you have it refined. But unless it is done, the performance reports will sit on the shelf.

New York City has a book that thick of performance measures and reports every year, and no one pays any attention to it, because it is not really tied into the budget system.

Second, you need to create very powerful incentives for the agencies to actually achieve the results, some form of bonus to the agency or to the managers or to the employees, some form of reward for exceeding their performance targets, otherwise, again, who will pay attention?

Finally, I think we need to speed up the process in S.20, in my view. One of the greatest dangers in the public sector is what happens in a transition, what happens when one administration ends and another administration starts. According to the timetable that is set in S.20, we will not really have a performance based budget system in operation, by my estimate, until about the year 2000 at the earliest, and it could easily take longer than that.

I think there is a grave danger that when the current administration leaves office, the whole effort could lapse. I have seen this happen at the State level many times. When Senator Graham was

Governor, he put in a wonderful system of strategic planning and goal setting and performance measurement in Florida, and then he left office, and it was ignored by his successor. So there is a great danger in not moving a little bit faster.

The second big incentive system that drives everyone in the Federal Government is the personnel system, civil service. Civil service was a wonderful innovation in its day, which solved very real problems, but it was invented in 1883. We haven't changed it in fundamental ways, in my view, since 1949. We are still operating with a personnel system designed for a government of clerks in the 19th Century, and we are about to enter the 21st Century, and it is a straightjacket on the Federal bureaucracy.

I often during speeches ask people how many of you think that the current civil service system is adequate to the needs of the 1990's, and I have never had more than 1 percent of a room, Federal, State or local, raise their hands.

Horror stories, I am sure you have heard all the horror stories. I was at the Agriculture Department a week ago helping Secretary Espy kick off his effort to reinvent the Agriculture Department, and I was told by one of the personnel specialists that if you take all the personnel rules in the Federal Government and put them in a sack, it weighs 110 pounds.

We all know that when layoffs occur under the civil service system, people get to bump each other by seniority and you end up with people in jobs they are not trained for and don't want. We waste millions, if not billions of dollars every year on personnel officers whose job it is to classify everyone. There are 459 job series, 15 grades, 10 steps within each grade, and an enormous amount of energy is spent in battles between personnel people and managers about which classification this person fits in, can I give him or her a raise.

This rigid classification system, which is somewhat like the kind of industrial systems of the early part of the century when tailorism was in vogue, makes it very hard for any organization to change. You can't move people around, because they are not in the right classification system, you can't reward them for good work without promoting them into supervisory positions which they are often not good at.

The National Academy of Public Administration did a several-year study that came out in 1991 on the classification system and said it should be scrapped completely. They looked at the models at China Lake and the other Federal demonstration projects, which basically simplify it all. They say let's have five or six career paths of professional, technical, clerical, et cetera, within each one let's have four or five steps, grades, and that is it, let's keep it very simple. Those systems work, they have been prove, and NAPA suggested that the entire Federal Government move to that kind of a classification system.

Chairman GLENN. But you manage to have a lot more authority in that type system.

Mr. OSBORNE. Absolutely, because managers can pay what they need to pay people to recruit the talent they want, they can reward people with salary increases to reward behavior, and they can move people around as their needs change. They don't have to

worry about someone being a classification No. 352 and wanting to change to a 256. So it creates the flexibility you need to manage an organization.

I could go through a number of other changes, but the written testimony does in civil service that I think we have reached at least an intellectual consensus on between OPM, the National Academy and others who have studied these issues. I think the time to move is now.

Let me just conclude by discussing this issue of a commission to restructure the Federal Government. I can't stress enough how important I think this effort is, both to the administration's efforts and to your efforts to improve the Federal Government.

I believe that the 6-month performance audit announced by the President and run by Vice President Gore is a very important start, and I believe that it was important that the administration not wait until Congress passed legislation. They need it to start, they need it to demonstrate, and we need results soon.

But the changes on the kind of scale we are discussing are very, very difficult to get through the traditional method of introducing one bill after another bill after another bill. Every Federal program and every Federal grant has a constituency and that constituency will mobilize against each of those individual bills and you will lose votes bill by bill by bill.

If you want to succeed in restructuring, you need a few comprehensive coherent proposals which Congress agrees to vote up or down as a package, without amendment. The Base Closing Commission I think is a good model.

I should say that I am very familiar with the Texas performance audit. I advised John Sharp, and John Sharp will tell you that the only reason he got the 50 percent of his proposals through that he got through was that the legislature had 30 days until they had to pass a balanced budget, there was as huge deficit and the alternative was Texas' first income tax. In other words, there was a gun to the head of the legislature. That is the only reason. John said if they had another 30 days, special interests would have killed the other half.

You just can't do this in the conventional way. So I believe that you folks should move quickly to push a commission bill through. The ideal would be, in fact, to make Vice President Gore chairman of the commission, have it be a small commission and fold the performance audit into it.

An alternative would be, as several of you have suggested, that a commission be created so that the minute the performance review is done, its recommendations that require legislation go to the commission. The point is we need some method in which the general interests can triumph over the special interests, and one by one by one, the special interests will win most of those battles.

Let me just close by stressing what a rare opportunity I think this Congress has. The American public is angry. New political organization from United We Stand to the Conquered Coalition to Lead or Leave are demanding action on the deficit. They are demanding improvement in Federal performance. And I think if you can unite on one commission bill that folds into the performance

review that the President has announced, the leaders of those organizations and the American people will back that effort.

I know personally that Ross Perot has already communicated his enthusiasm for a commission or performance review with real teeth. I think the public wants deeper spending cuts, and I think this commission could provide them. I think it wants to see the Federal Government deliver efficient, effective service for its tax dollars, and I think a commission combination performance review with some kind of fast-track authority can deliver both of those things.

If you act, I think the American people will support you.

Thank you very much.

Chairman GLENN. Thank you very much.

Mr. Gross.

TESTIMONY OF MARTIN L. GROSS,¹ AUTHOR OF "THE GOVERNMENT RACKET: WASHINGTON WASTE FROM A TO Z"

Mr. GROSS. Thank you for inviting me.

Also I want to stress my support for a bipartisan commission by Congress to reform the American government. We cannot expect the Executive Branch to eliminate itself, to cut itself drastically. They are not in the business of suicide. They are in the business of politics.

And I think that expecting Vice President Gore to come in with a plan that is going to do what the people expect is very naive. I think it would also be ineffectual, if the Democratic majority in the Senate and the House try to control this kind of bill.

I have been a Democrat, I was one of the leaders of the party back 30 years ago. I have been a Republican and I am now an independent, so I can speak as a bipartisan individual for the American people.

Also, I identify very closely with the American people, the common man, because I am a very common man, and my instincts tend to reverberate with truck drivers and cab drivers and all day long I ask people what does the Federal Government do for you, and I get only one answer, and the answer is, "They take my money."

Now, there is a rage outside and it is an ignorant rage. The American people know very little about the workings of the government, and any commission that you will begin to work with or appoint should have in view the middle-class working American, not the poor, not the rich, not the farmer, not the doctors or the hospitals or any other group, the abortion or pro-abortion, but the average guy who is paying 7.5 percent social security and paying his local property taxes, his sales taxes and his State taxes, and he is feeling the pinch.

He wouldn't mind feeling the pinch, if he had a government that he understood and that provided for him. Let me give you an example: The Department of Education spends \$33 billion and doesn't educate one child in America. The Department of Transportation transports a few people on AMTRAK. The Department of Energy produces some electricity and most of it goes to Nevada Power, et cetera, for one penny, while I pay 11 cents in Connecticut.

¹ The prepared statement of Mr. Gross appears on page 100.

The Federal Government is not in tune with its target, and that target is the American working middle-class person. So it is not just a question of managerial change, because you need that. It is a question of changing your whole perspective towards this Federal Government.

I have read the budget cover to cover, which may be a Guinness record. It took me two and a half months, and I found the most amazing things. President Bush in the 1992 one had an essay on how we take care of our children, and the sum was \$86 billion heading to \$100 billion. I have two children. I raised two children and I have three grandchildren. I never saw the Federal Government and I wasn't rich.

Then I did a little reading on other governments, and in Germany they have kindergeld, children's money, and every month, every child in Germany, whether the parent makes \$1 or the parents \$1 million, gets a check in the mail of 70 marks for the first child, 150 for the second and 150 thereafter. What happens? It helps to support the poor, eliminate the need for welfare, it supports the middle class so they can send their children to school, and the handful of rich people just throw the money away, which is fine.

We have the GI Bill, which was targeted at a large mass of Americans. I am a veteran of World War II and a beneficiary of that bill. There was no means test, and when someone asked Harry Truman are you going to give this man who makes a million dollars a free college education at Harvard, he said he fought in the war as well.

I was on the job training in the GI Bill, and I never saw a government official. I filled out a form that was this big, and my employer, a newspaper, the Westside News of Manhattan, got a check every week for \$25. Now, what went wrong?

Well, let's go back to a better time in America. They talk about the big government of F.D.R. In 1938, he spent only 8 percent of the GNP and fed a large portion of America, including me. Harry Truman, as President, spent 12 percent in 1948, had the GI Bill, an enormously successful program, the Marshall Plan, fought the Korean War between 1947 and 1952, and he brought in a \$9 billion surplus. Why? Because the concept of big government had not yet taken control of our lives and we had not 5,000 programs targeted at this person, this person, this person, this person, but no one. It helps everybody in America, but it helps no one, because it doesn't get to the gut of the system.

Now, the problem is I think that by 1960, we had a good society. We had a Democratic President in F.D.R. and Truman, we had a Republican President in Eisenhower. In 1960, we had a long bond that was low, we had people earning money, and that good society we decided should become a perfect society, and in trying to make the perfect society, we destroyed the good society. So the rage outside is a nostalgic one. They want much, much, much smaller government. And until we understand the people's will, we are not going to do it.

Now, the reason we need a bipartisan commission is because together, the Republicans and Democrats, we can figure out what the people want, and neither can separately. You know the adage, the

Democrats tax and spend, the Republicans borrow and spend, but they all spend.

Now, in microcosm, the spending is absolutely enormous and there is a great deal of ignorance within the Federal Government as to what they are doing. As I point out in my book, there is a billion dollars worth of helium out in Texas doing nothing. Rural electrification was finished virtually in 1960. The Appalachian Regional Commission started in the middle 1960's and spent billions and the income of that region was 20 percent below the National average now then and 20 percent this.

We spent \$6 billion in Chapter 1 in the Department of Education, and I recently spoke to the chief evaluator and I said what's the progress? He said very small gain, about 2 or 3 percent in the public grades, and by junior high school and high school it disappears.

So we have programs that are not intended to help the American people, they are designed to create the concept of reform and improvement, and they pass the average American way.

I think that we have to cut 650,000 people from the Federal payroll. In doing that, we will be much smaller than F.D.R.'s per capita employment. He had only 625,000 people. I think we have to look at this overhead of the Federal Government as being absolutely absurd.

Going through the budget, I see an item "other services," the largest item generally for each agency, \$170 billion in miscellaneous services. So I called OMB and I said can I have a breakdown of the services and what is the overhead, and I got this statement from OMB: "We have never done a study of the overhead of the American government." It is \$120,000 per person.

My wife is a decorator, so I said what do you spend on decoration, and they said it is not an item in our budget. I said, well, how can I find out? They said you can't, tell each agency and they won't tell you.

I found the National Furniture Center, a man named Bielski out in Virginia, who doesn't buy furniture, but provides discounts to the agencies. He said I do about a third to half of the business of the United States in terms of knowing what is happening, because defense does their own. And I said what was it, and he said \$675 million in fiscal 1991, which means between \$1.3 and \$2 billion worth of furniture a year. I said what happens to the other furniture, the old furniture? He said we give it away to charity. Now, the important thing is I said what happens next year? He said we get the same budget back and more.

So you have within the Federal Government a total of \$270 billion of overhead, which is equal to the National budget of France, you have this enormous organization which is probably 30 percent too large, and then you have, as Senator Glenn pointed out in job training, overlap and duplication which is absolutely shocking.

I called the Bureau of Indian Affairs, and they spent \$1.8 billion, and I spoke to a lady who was a Cherokee Indian, a very bright woman, and I said what is spent elsewhere? She said, well, I don't know, but I heard \$3 billion. I called OMB and this time they were cooperative. They faxed me the expenditures on American Indians.

This is only the one million who live on the reservations, not the others, and the fax said \$4.7 billion, \$19,000 per family of Indians, and they have an income of about \$6,000. Why? Constant overlap of administration, non-directed funds. This is not kindergeld, the check in the mail from the German government to every family. This government obfuscates. It has a circular operation. So we have to look not just at managerial, but at our target.

Let's take HHS. The Executive Department of this government is not going to advocate the breakup of HHS. But we have within the welfare system HHS on AFDC cash payments, HUD on housing, Agriculture on WIC, women, infants and children, Food Stamps. It is all over the lot. Now, if we put it under one management, Department of Welfare or Department of Income Maintenance, as we have in Connecticut, perhaps we can look at the numbers and say, by God, perhaps we can create totally subsidized jobs for every one of these people and save \$100 billion. We have no idea what we spend on the poor of America.

In passing, I must say that the poverty programs are really very destructive, because if you tell a woman of 16 that she can have a child and continue to have children and supported for the rest of her life, there is absolutely no incentive to assimilate into the American working society, because without a work ethic or society, you have no society.

Now, I would say in general conclusion that we have to do a total restructure, and if we don't do it, I warn this Congress that the people are going to demand a Constitutional Convention, 1787 all over again, to reform the United States, because the system that we established would work so beautifully.

We had the finest government in the world up through the early 1960's, and we now have the worst government of the world, because the whole thesis of Jeffersonian democracy has been abolished, there is no longer the Tenth Amendment with the sovereign States, and we have not replaced it with the broad target of the European governments.

We don't have free day care centers, we don't have a national health insurance policy, we don't have a national transportation system, we don't have a national education system. So we have is the worst of our old world, which we have destroyed, and we don't have a European system, which may or may not be good, but at least it is generally targeted.

Now, the answer has to be to look at this government anew and only—not the Executive Branch and not the President of the United States, but only the Congress of the United States on both parties can attack this problem. One of my few concrete suggestions in doing that, aside from looking at everything new, is I think we need a chief operating officer.

The President is in the business of politics, of theatrics, he is in the business of foreign affairs, he is in the business of new programs and new visions, new administration—not just this President, every new President comes in with that—we need a chief operating officer who is nominated by the President, confirmed by the Congress and who tries to operate like a CEO.

We need a chief financial officer—and I understand some progress is being made—and we also need a national inspector gen-

eral. The General Accounting Office sent me an article from Legal Times, and 95 percent of their recommendations go into a wastebasket. Now, that is not proper. The IG's are very good. The Department of Labor IG helped me, all of the IG's, sending me material, called me up and told me they have a slight adversarial relationship to the Executive and they wanted better government.

We need a national inspector general, also appointed by the President and confirmed by Congress, who will combine the work of the IG's and the General Accounting Office and report back to the American people every 3 months, not just on fraud and criminality, but general suggestions that we don't need this program, this is a waste, we can't have 1,200 private airplanes for the bureaucracy, we can't have 340,000 cars with no decals so we can't see what they are doing.

I must stress to you gentlemen that the American people are angrier than you think they are. I am on hundreds of radio programs and they call up yelling. I am on TV shows and I get letters and faxes. They are hopeful. I must say this, they are hopeful, because they sense the beginnings of a revolution in government, and one that only you and the President, of course, can effectuate.

So I beg you to do the work necessary to create a much, much better and less expensive government for the American people.

Thank you.

Chairman GLENN. Thank you very much.

Mr. Arnold, how are you?

TESTIMONY OF PERI E. ARNOLD,¹ PROFESSOR OF GOVERNMENT, NOTRE DAME UNIVERSITY

Mr. ARNOLD. Fine, thank you, Senator.

I am very pleased to be here. There has been talk this morning about the history of executive reorganization and I would like to address it, and I would like to do it briefly to leave some time for colloquy amongst ourselves.

I am going to address the lessons for reform taught by the history of executive reorganization. Opportunities for real reform are very rare in American politics. We must use this opportunity well. I think past reorganizations can help us understand how to guide our approach to this task.

Let me tell you first about the basis of my observations. I have studied Federal executive reorganization over a number of years, aided primarily by the Ford Foundation. I have reported by research in a book titled "Making the Managerial Presidency," and in a large number of articles and book chapters.

The past has a hold on the way we see the world. How many of us, how many members of this Committee are thinking that to create a commission on government reorganization is to create another Brownlow Committee or a Hoover Commission? I hope to convince you in brief remarks that history's lesson for contemporary reforms is that it is a mistake to recreate the past. The challenge facing this Committee is to design a new approach to Executive Branch reform.

¹The prepared statement of Mr. Arnold appears on page 108.

The Committee is considering four bills to establish reform commissions. They differ in important details regarding mode of appointment, specification of charge and means for reporting recommendations. Should it report a bill, this Committee has important decisions to make about the design of such a commission. I hope that my remarks might help you think about those choices.

I want to pose two questions to organize my testimony. First, what is past executive reorganization aimed at and achieved in American government? Second, what guidance does the past give for designing an approach to reform?

My first question, what has executive reorganization done, what has it accomplished: During this century, the number is 11 committees or commissions recommended reorganization of the National government. All of them shared similar goals. Even though the first one, President Theodore Roosevelt's 1905 Keep Commission is the most recent, President Carter's Reorganization Project, were 75 years apart. What they shared was an aim to make the Executive Branch more manageable by Presidents and more capable of the administrative tasks of expanding government.

In a sense, Franklin Roosevelt's Brownlow Committee of 1936 is the key to understanding 20th Century governmental reform. Its report contains the classic conception of Executive Branch reorganization. It followed three principles: One, presidential control, the President must be strengthened as a manager of the Executive Branch; two, institutional streamlining, as much as possible, government's independent agencies should be incorporated within Executive Branch structures; and, three, organizational rationality, organizations with like purposes should be organizationally integrated. Economy was not a chief aim of any of these major efforts at executive reorganization.

The Brownlow Committee approach to the management of expanding government shaped the seven subsequent episodes of executive reorganization after 1936. Five of these were presidential initiated. But Congress initiated the two best known modern reorganization efforts, the two Hoover Commissions of 1946 and 1954.

Unlike the Brownlow Committee, the Hoover Commissions did aim to slightly reverse growth in spending. Yet, even they produced Brownlow-like recommendations for increased presidential control, for streamlining the Executive Branch and for the integration of organization by purpose. Their original mission was to reduce and cut spending fell quite into the background.

Ninety years of reform, what has it all achieved? Executive reorganization proposed and reshaped the Executive Office of the President. It increased the coherence of Cabinet level departments by relocating agencies by purpose or function. Finally, administrative processes, such as accounting procedures and personnel systems, were incrementally improved over the years.

In short, executive reorganization modernized the Executive Branch during this century. But has it produced more effective government programs? Has executive reorganization identified programs for elimination? Has executive reorganization reduced spending? To all three questions, the answer is rarely, at best.

I offer the case of the second Hoover Commission mentioned several times here to illustrate resistance to reducing programs

through executive organization. A 1958 report by this Committee found that the commission's recommendations for procedural reforms, such as budget, accounting and the processing of paperwork were adopted overwhelmingly, but the commission's proposed reductions in government programs such as water resources or government credit had a very low rate of adoption.

What is the relevance of history for this Committee's decisions? History's main lesson is that past reorganization has about adapting the Executive Branch to a growing government, and not at all about economy and constraining government.

But today's concern I think has been heard several times over, is with government's efficacy at a time of budget deficits. If the Committee's aim is to use executive reorganization to improve the way government works and reduce what government spends, it is not enough to repeat past efforts at executive reorganization. There is no reason to think that reshaping organizations or streamlining bureaucracies will create more effective programs. Restructuring organization may have particular benefits in specific cases, but it is not a general panacea for making government more effective and less expensive.

I want to turn briefly to some questions about design, how does one design then perhaps an effective attempt to reorganize. To make government work better and less expensively, the questions we must ask are about the justification, benefits, costs and management of programs.

I have shown that executive reorganization as we have practiced it in the past is not a suitable tool to address these questions. If we are to engage in executive reorganization again, this Committee must design a means for executive reorganization that fits the tool to our pressing new problems.

So before we can reinvent government, another phrase we have used a lot today, we must reinvent reorganization. Are there any lessons from reorganizations past that can guide a new approach? I shall offer some comments on four aspects of any reorganization plan mechanism.

First, what should be a commission's charge? Past reorganization commissions were charged to recommend reforms in governmental organization and structure. To charge a new commission with such language will be to direct it away from what ought to be its target, government's program performance.

Statutory language for a new commission should charge it to assess program performance. The fact that successful past reorganizations shied away from evaluating programs is a warning signal. Members of this Committee know that there are few friendless government programs. Organizational reform in the past was often easy, because organizational reshuffling left programs intact.

Reform is more problematic, if it portends the reduction or elimination of governmental programs. Yet, this Committee must direct the commission to address program performance. Once it has that charge, the commission's success will depend on several other choices that this Committee must make: The commission's membership and staff, the way a commission justifies its recommendations, and the ground rules established for consideration of recommendations.

The second question: What kind of commissioners and what kind of staff? Individuals who are experienced in government are more likely to be critical and innovative about government than people who are inexperienced.

We might think that private sector managers are what the doctor ordered to fix government, but past commissions teach us that business executives are timid reformers. The majority of commissioners should be both illustrious persons and experienced with government.

The Ash Council illustrates my point. President Nixon appointed six people to his Ash Council, all of them significantly visible business people. One of them had major governmental experience. Astonishingly, a commission made up of prominent leaders of innovative American corporations, including the dean of America's best known business school, produced recommendations that sounded like they were produced by the Brownlow Commission.

The Ash Council's foci were top-level management in organizational architecture. The lesson is that innovation requires familiarity with the target of innovation. Without a grasp of government and its problems, a commission is likely to fall back upon old concepts of reform.

I have two observations regarding commission staff. First, there is no need to keep rediscovering the same information. Among the Office of Management and Budget, the GAO, Committees of the Congress and now in the President's National Performance Review, information will be plentiful about program performance and agency efficiency. These data should be shared with the new commission as it sets out to assess government programs.

So the first thing a new commission needs is a staff to liaison with those agencies. The second thing a commission will need is a staff that knows government's programs. What is true for the commissioners is doubly true for the staff. You cannot redesign what you don't know. As a general rule, government's most thoughtful creative critics will be found amongst the best people working for government.

As an example of my point, President Carter's Personnel Management Project used a senior staff of civil servants to effect what was one of the most effective reforms of the modern civil service. A means to harness such people will be in commission task forces assigned to specific program areas.

Third, what should the commission be expected to recommend? This Committee should establish at least two requirements for a commission's recommendations. One, the commission should recommend changes in programs and not agencies. Government's activities are better understood in terms of functions and services than in terms of organizational structure.

Two, with an eye on achieving broad support for reorganization, the commission's public report should offer clear and vivid justifications for its individual recommendations. A public that is informed about the justification for reorganization would counterbalance the defenders of programs threatened with reform.

Four, finally, processing recommendations: Past executive reorganization commissions have had problems getting a serious hearing for their controversial recommendations. For example, while the

Brownlow Committee reported its recommendations in January 1937, none of its recommendations were passed into law, and then only a few, until 1939. The two Hoover Commissions' recommendations that gained a quick consideration by Congress were those that were least controversial. How can a commission's controversial recommendations be guaranteed a timely hearing?

It seems to me the metaphor of the Base Closing Commission is appropriate here. The best logic for a commission's recommendations should be that they are presented as a comprehensive whole to an internal logic to the President and the Congress. Presentation as a package allows the Congress to see the logic of the commission's whole approach, and if fast-tracked into the Congress, it sets essentially in concrete a congressional agenda.

In conclusion, this is a period with real political support for reform. We may not have seen a period with such energy for reform since the progressive era. The demand is for changes in making government more effective in what it does and more efficient in the way it uses scarce resources.

This Committee has an historic opportunity for reforms that will make government work better and raise it in the public's esteem. As a citizen and as a scholar of government, my hope is that you succeed. Much depends on what you do here. If we cannot make government work now, the next time we revisit the possibility of reform may be under much worse circumstances.

Chairman GLENN. Thank you, Professor Arnold.

I appreciate that very much. Do you think that we should go ahead with our commission idea, even though the National performance review is proceeding under the Vice President, or should we wait until they get it done?

Mr. ARNOLD. First of all, I think that Mr. Panetta's suggestion and some others here that the National performance review essentially become a database for a commission is what I understand them to be saying is utterly sensible, so I think they ought to be dovetailed.

I think in terms of purpose, these are perfectly consistent enterprises, so that I am very much supportive of a commission, but I think it probably ought to be lagged in time so as to be able to use the database, as well as to be the receptor of legislative recommendations by the performance review.

Mr. OSBORNE. Senator, could I respond to that?

Chairman GLENN. Surely.

Mr. OSBORNE. I think there is a grave danger which Senator Roth has already pointed out. I think if you decide to wait and put off pushing a commission bill until after the performance review reports, the politics of the situation will unfold in the following way:

The performance review will come out with its proposals, they will be controversial. If they are any good, they will raise intense opposition among certain constituencies and interest groups, and it will then be impossible for you to get a commission bill through the legislature, through the Congress, because it is exactly as Senator Roth said, it was as if you developed a list of bases to be closed and then asked Congress to vote for a military base closing commission. You will scare everyone too much before they have to vote on creating the commission. So I think there is a real danger there.

Mr. GROSS. Senator Glenn, may I add my voice to that and state that I would see the work of the Congress as being much more radical, more definitive and much more important than the work of the Executive Branch, because even though the Congress is itself bloated, et cetera, the real money is spent by the Executive and only the Congress in the separation of powers, which now we can use mightily or sometimes it is a hindrance, Congress should operate along.

As a matter of fact, I don't even think there should be a communication between the two groups. I think there is contamination with communication, and I think that the Congress of the United States should see itself as a representative of the American people and active as if this were the Constitutional Convention of 1787 and offer a plan for the total and absolute reform of the American government.

Chairman GLENN. Mr. Osborne, you referred to other governments' experience how they have been able to adapt better than we have, and that set me to thinking a little bit here. Is part of our problem really just our unique form of democratic government? Because the average prime minister has far more authority to get things done than our President does.

Now, I don't think most American are aware of that, but a prime minister speaks with authority for his or her government and can do things, and if the people don't like it, they are turned out. And we don't do that. We have set periods of time, we are up for reelection, we are doing all these things here where we are sort of a more protected group, and you take your life in your hands if you make changes in the system to be more like a prime minister if you are President here. Is that part of our problem? I am not trying to overblow this into constitutional problems here, necessarily, but is that a problem?

Mr. OSBORNE. It is, it is a basic part of the problem we can't do anything about. But our system was created 200 years ago to make sure no one had too much power. It was created by people who did not want another king, and our system, the phrase checks and balances, the reason we have a system of checks and balances is so that no one can do too much, so that the power is diluted in a parliamentary system and—

Chairman GLENN. But to correct the things we are talking about, you need authority to change.

Mr. OSBORNE. Exactly.

Chairman GLENN. And then you need to be accountable, you need to be held accountable for what you are doing. In a parliamentary system, they do that basically by having the ability to immediately turn people out of office. Here we have our fixed terms and we very jealously guard our prerogatives under the Constitution here as far as authorities on Capitol Hill versus the White House.

Mr. OSBORNE. And in a parliamentary system, you get a few people at the top of the party in power who make a decision and it happens. I remember interviewing somebody from New Zealand, and New Zealand has reinvented government more than any country on earth, and it was a labor party that did it. I was just astounded by all they had done and I asked him how did you do this?

He said, oh, it is simple in our system, a handful of people at the top of our party agree on something and it is done, and if somebody in parliament votes against it, their political future is at risk, so all of our elected officials vote with us and it happens.

Chairman GLENN. The parliamentary system has far more authority to see who runs for office, too.

Mr. OSBORNE. Right. This is why we need a commission. We need extraordinary measures, if we are going to get extraordinary reform.

Chairman GLENN. Mr. Gross, I interrupted you.

Mr. GROSS. I just wanted to say that I don't think that we should discard our system of separation of powers. I think it has stood us in good standing for many years. I think the problem is that in a complex society and a complex government that it becomes difficult to administer when you have the separation, and I think the only answer to this really is to either eliminate most of the programs of the Federal Government as they now stand and adopt the broad umbrellas that the European countries have and administer them carefully through Congress and the President, or we do also have the alternative of returning to our previous state of local independence and State sovereignty.

The government in Washington just told Connecticut that they have to provide 90 percent of the fee for an obstetrician for the birth of an unwed mother. Now, I would love them to have a specialist, but most people in Connecticut don't have specialists. This is a mandate, and if we don't do it, we are going to lose the matching funds.

So I think that in this new era we want to maintain the separation of power, but someone has to figure out, and I think your commission might be able to do this, a way to use our tradition to benefit our government, instead of hindering it. We cannot and should not and will not adopt the parliamentary system, so we have to work with what we have and it is going to take a lot of intellect, a lot of thinking and a lot of designing to be able to do it effectively.

Chairman GLENN. Professor Arnold, you have looked at all of this. Just going back to a simpler time when we did more at the State level, is that the answer, which is what Mr. Gross was talking about a minute ago?

Mr. ARNOLD. No, of course not. Every democratic government in the world has gotten bigger. Democracy creates voters who demand services. Government gets bigger. The problem of those who then govern is how do we create rationality and impose rationality in government, as well.

One of the implications of what has just been said, however, is that we have created a government with what Gozens, a famous scholar in federalism, calls enormous numbers of crack points. There are more doorways into our system than in any parliamentary system, because power is in the top, in the majority party, in the parliament, in a parliamentary system, and thus leveraged by the cabinet.

In our system, the power is all over. It is laying out there and all those doors are open. Now, that is democratic. We are speaking of it as just bad, but it is also good.

Chairman GLENN. A point of review, it seems to me, helps an awful lot in this area, too, back to our stuff on sunset legislation and our zero-based budgeting. It seems to me that opens a door that is enormously valuable to us in eliminating problems, because you take care of change. As programs change, then you have to make them justify themselves on a certain time basis or they are out, you don't reauthorize them again.

I was thinking about the days of Roosevelt and being a lot more simpler, but yet defense has taken a whole different posture since that time, environmental protection, health care, things that were not even contemplated at that time are now front-burner issues so it is not the simpler government. We couldn't go back to a simpler government of that time, if we wanted to.

Mr. GROSS. Well, we can in this way. Now, you take the question of Medicaid, which is a Federal-State function. I can visualize a system where the Congress appropriates money for Medicaid and that the money is given to the States so that the individual States can figure out how to use the money for the medical care of the indigent and I think the States are better able to do that than the Federal Government.

I don't want to go into detail, but the mandates on Medicaid in the States are absolutely ridiculous, and I think the States probably have more knowledge of what needs to be done than does Washington.

Chairman GLENN. Which way do you think education should move, to more Federal involvement or less?

Mr. GROSS. Well, the difficulty—

Chairman GLENN. I just preface that by saying that in every major industrialized nation of the world, they have a national education system, certain standards and everything, certain things they put in nationwide and everybody gets exactly the same treatment. Here, as Lester Thoreau points out in his "Head to Head," which I am sure you have all read, he points out we operate in this country with 15,000 independent school boards all operating on the basis of "If you elect me, I will not raise your taxes," and that is the basis of our educational system. It is so ridiculous when it is stated that way, it just seems on its face to be patently ridiculous.

Mr. GROSS. But I wouldn't be afraid of a national educational system, because not only standards would be enforced, which would be good, national standards, but also ideas, political ideas, demagoguery, politics would infuse the educational system. I prefer the State control as we have now and I do not believe we need 5,500 people in the Department of Education not to educate one single child. I think we can cut that down to—

Chairman GLENN. I don't quarrel with you on that one.

Mr. GROSS. I think we can cut that down to 500 people, and I don't think that we need Chapter 1 and 2 as it is presently constituted, if you know how it works. A Chapter 1 teacher in my home town, paid by the Federal Government, takes the kids out of their regular class and puts them into her class, so they lose that class and they gain—it makes no sense at all, and Washington doesn't know it makes no sense, because Washington is not on the scene.

So what we probably need, if we want to help education in the States, give them money. We now spend 6 percent of the budget as Federal, give them a check and let them do it.

Chairman GLENN. If you want to do performance measuring, though, and outcomes measurement, then don't you have to have a national testing?

Mr. GROSS. I prefer national testing, but I think if you would enforce the National testing by law, then you are in difficult. Education is a quandary, I must say that, it is a quandary.

Chairman GLENN. It is indeed.

Mr. OSBORNE. In discussions like this, you have to distinguish between what I would call steering and rowing. The Federal Government has a responsibility in many areas to set policy to make sure that children are educated in America, for example, and that involves things like setting national standards, defining what kids need to know what they graduate from high school, what a certificate of initial mastery might look like, and national tests so that we can compare performance.

But the Federal Government doesn't necessarily have a responsibility to try to row the boat, which it is doing with Chapter 1. It needs to set standards, measure performance, and when it funds State and local government, let the States or the localities figure out the best way to achieve the results that the Federal Government has established as goals.

Chairman GLENN. Our overall objective, we want the best educated citizenry in the world.

Mr. OSBORNE. Right.

Chairman GLENN. Are we getting it with our present system?

Mr. OSBORNE. No.

Mr. GROSS. No.

Chairman GLENN. Then we need some changes.

Mr. OSBORNE. Absolutely.

Chairman GLENN. That is a big question, obviously, what direction we go, more Federal or less, or do we just put money out there.

Senator Roth, I am way over my time. Do you have some questions?

Senator ROTH. Thank you, Mr. Chairman.

First of all, it is a real pleasure to welcome each and every one of you. I have appreciated very much the work you have done and it certainly has been extremely helpful to me.

I have a few technical questions. One proposal would have the commission renewable, as I understand it, every two years. Is that desirable, or would that tend to delay action by one commission, though we can take it up in another?

Mr. OSBORNE. I guess my reaction would be the idea of renewability is probably a good idea. I am not sure it is a good idea linked to a two-year term. I think there is such a sense of urgency in the country, that if you do create a commission, it should be for a year, not two years. On that basis, there may be some issues that it can't resolve, and around two might make some sense. But a two-year commission and then another two-year commission, I think that would be read by the American people as putting the problem off.

Senator ROTH. Any other comments?

Mr. ARNOLD. The only comment I have on that is it seems to me the function of a commission ought to be institutionalized, that is a continual kind of thinking about improving government. It needs to be institutionalized somewhere in government, and my intuition is somewhere between the GAO and the OMB. I am not sure a commission constantly in process is the best way to do this, precisely because I think a commission's largest payoffs are in precisely the dramatic character of a commission's activity. We need extraordinary good people into a great effort of reform. I think to try to keep that alive would be to simply diminish the leverage commissions have.

Senator ROTH. In your testimony, Mr. Arnold, as I recall, you urge that those that serve on the commission be familiar with government and government programs.

Mr. ARNOLD. Yes, sir.

Senator ROTH. My question then may be directed at the other two. Will that mean you get people that have sort of a vested interest, or do you need sort of a mixture of people who are not that experienced in government, but bring a fresh look? We are talking about major structural reform.

Mr. OSBORNE. Senator, I agree completely with Dr. Arnold. I have seen so many situations where business people were brought in to clean up government and, you know, it takes them years to understand government. It is so different than business. It is a miracle that the successful businessman is going to save us. I think we do need people experienced in government.

Now, I think what you do is pull them from throughout the Federal Government and you pull in people from the State levels—

Senator ROTH. Let me ask this question, because it seems to me much of these reforms come about through modern technology, as you say, unlimited instantaneous information. Now, to introduce that element and to simplify and streamline on that basis, which seems to me is at the heart of what we are talking about, how do you get that expertise?

Mr. OSBORNE. I think you pull in people from government who have that expertise. I am sure there are people in the Federal Government, but there are people throughout State government who are trying to pull together information systems, apply to things like job training and child welfare. I mean there is an industry of government information technology specialists, there are consultants in the area, and there are lots of private companies that work in this field, and you might bring them in. My point is that you go for people who have the expertise, not for people who have simply ran a successful business.

Mr. GROSS. I would like to add that I think you should consider the fact that the reform of government also indicates the downsizing of government at every level. Forty-two cents on the dollar is now spent for government in America, Federal, State and local, and the American people cannot afford it. It is 5 cents more than Germany, which provides four times as many services.

So I think that if you look at the general economy and you look at the States, the States have grown 300 percent in the last 20 years. A part of this reform indicates that not only will we try to do more for the American people, but we have to do more with less,

so that I think we should look to eliminate the deficit of \$325 billion totally through the down-sizing, no new taxes, no new programs, just down-size \$325 billion a year, which can be done in probably 5 years, if we get serious about it, and after that look again at the government and see if we can't make it still smaller and have all of our services directed, as we are all saying, in programs that work. If they don't work, we can't have any religious or value systems or political attitudes towards the government.

We have had too much politics in America, and the sense of bipartisanship is not just having two parties that are different come to agree, but there has to be a stronger patriotic sense, and I have gone through that myself, eliminating ideology. The world now know more about what needs to be done than politicians used to know, and ideology may be an ancient concept. So that if we want to help our children in the ghetto, we don't need the bleeding heart liberal or the unconcerned conservative or even the middle-of-the-road person. We need someone who says this is what we need to do and we will measure it.

So I think that you have got to do more, but you have got to do more with less. Now, that is the big challenge, a very big challenge.

Senator ROTH. As I indicated earlier, I think right-sizing government is the key part of that restructuring, and I think it can be done in a compassionate way through attrition and early out.

But you do raise an interesting point, Mr. Osborne, and I think in your paper last year you raised the issue, I don't know if you said do more with less, but do more with what you have got, and that is one of the things that bothers me about the current debate. The current debate is primarily on how much should we raise taxes or how much should we cut spending, but practically nothing except in this kind of a context here how do we provide better services with what we are currently spending.

As a matter of fact, as I said to Leon, I hate to bring old quotes up, but I recall you saying when you were here before, Mr. Osborne, that you were a liberal, but you wouldn't want to spend more money on these programs until we reform them, and I assume you still believe that.

Mr. OSBORNE. Yes, sir.

Senator ROTH. Let me ask you this question: In my original legislation, we included Congress as part of the task. We did set up a separate task force and, of course, there is now a joint committee looking at government structure, but should that be part of this study? Is that important as part of the reform?

Mr. OSBORNE. The structure of Congress?

Senator ROTH. Yes.

Mr. OSBORNE. I believe it is. I do not have the expertise to even suggest how Congress should restructure itself, but from everything I hear from people on your staff and other staffs, the proliferation of subcommittees and the budget process, the sort of dual budget process with Appropriations Committees and authorizations separately, it just strikes me from everything I hear from people who do know this subject that the answer is yes, but I am not sure this commission is the place to do that.

Senator ROTH. No. No, although in some ways maybe it should reflect what results from the commission.

of welfare within Human Services, and I think that we have too many Cabinet officers and Committee cabinets, and I think you are absolutely right, form follows function, as they say in architecture, and you must do that within the government.

Mr. ARNOLD. May I add something on that? I think it was Dr. Osborne who talked about moving the chairs on the deck. There have been proposals for precisely this packaging of the Cabinet in the late 1960's or early 1970's, and then again the Carter project was working on this, and they never sold. No one ever bought this, because they are not convincingly reforms that would make government work better.

The clarifying question, it seems to me—and it seems to me we are agreeing on this—is what does a program do, what is its intent to do, does it do it. And the boxes one packages those programs in are relevant, but not the central issue, it seems to me. So I think we need to start at a different place, which is what government is doing, what it is aiming at doing and how well is it doing at it, before we think about the boxes those programs go in.

Chairman GLENN. Whatever you do, you have to have people with authority to do something and then accountability checking up on what they do, which is the end product that you are looking for, the outcomes in the things, just as you have in business. You either have a bottom line that sells or you don't, one or the other.

Mr. ARNOLD. Right.

Mr. OSBORNE. Could I comment on the reorganization of agencies and so on, departments? In a rational world, I think what you laid out is absolutely right. In a political world, my experience is that at other levels of government, when you begin trying to rearrange the boxes, you set off enormous turf wars and fear and a great deal of political capital goes into fighting over turf, and even after you have rearranged them, you haven't changed the basic incentives and dynamics, you haven't got performance measurement, you haven't got competition, you haven't got a focus on the customers and you are not getting the results that you want.

So I would argue that you should stay away from trying to reorganize the departments and focus instead on the problem you brought up earlier. In job training, there are 125 programs spread across 14 agencies. Now, we need in this country a job training system. Germany has one and Sweden has one, and our competitors have real systems. Instead, we have 125 tiny programs.

We should be reinventing the way we do job training and it ought to be in the Labor Department. But if, instead, we try to say change the Labor Department to another department or merge it with Commerce or move it around, we are not going to get there. So I would say leave the boxes where they are and reinvent what is inside.

Chairman GLENN. Should Labor be even part of a bigger Human Service Department, though?

Mr. OSBORNE. I don't think so. I think Labor is one of those that has about the right scale of jurisdiction at this point.

Mr. GROSS. Senator, I disagree with Mr. Osborne, and yet I agree with him. I agree, obviously, that we have to put the functions into one organization. All training has to be job training and maybe we could possibly approach the German apprentice system which

Going back to S. 20, in my original legislation we did have Congress establishing goals. That was taken out in the process, but I personally agree with you that Congress should set goals.

Mr. OSBORNE. I think it is very important and, as I said, this is the experience of other governments that have done it. If the appropriators don't set goals, then why will they ever act upon information about the success or failure of a program? They will tend to ignore that information.

Mr. GROSS. Senator Roth, I think I agree that Congress should be included in your report, otherwise it might be seen as an attempt of Congress to reform the Executive and to bypass its own faults. You know, I believe we have 279 subcommittees. After World War II, we had 48. If you say, Mr. Chairman, half the people turn around. Also, even with the separation of powers, you need more collaboration with the Executive. For example, the budget process is almost an adversarial situation and there should be much more collaboration between the Congress and the President in making up a budget.

I think the idea of the President proposes and the Congress disposes is perhaps an ancient idea. It served us well in the past, but I think now it has got to come closer together. Of course, you have too many people. You have got 30,000 people and you probably need half, and I think that it would do well for Congress to examine itself while it examines the Executive.

Senator ROTH. Our time is running out. I again want to express my appreciation for what you individuals are doing. We look forward to continuing working with you. I think it is critically important that this be a bipartisan effort, otherwise you are not going to result in the really major structural reform that I think is going to be essential to success.

Thank you, gentlemen.

Chairman GLENN. Thank you. You have been patient. Just a couple more questions or comments here.

Do you think as we look at reorganizing or doing things better and more efficiently in government, we really have to get into more functional lines of doing things, as we talked about this morning here?

There have been proposals in the past and they have been mainly just academic theories more than anything else, I think, that we really should go to functional lines and really reorganize the Cabinet and everything else along those lines, departments of government, whether they be defense, and there would be human resources, natural resources, maybe education, science, technology, foreign relations, about four or five, at the most six basic functions under which would come everything we do?

Mr. GROSS. Yes, I think that is an absolutely brilliant idea.

Chairman GLENN. How do you move from our current situation to that, if that is a desirable end?

Mr. GROSS. If you make definition of functions, energy right now makes atomic bombs and it sells the energy of the Hoover Dam, and they are not awfully related, and Interior creates the energy that Energy sells, and we have got this cross-purpose in every single area. As I pointed out, in welfare, we have got six agencies. So if we are going to have welfare, we need to have a sub-department

works wonderfully there. They are not dropouts of high school. They are drop-ins to the apprentice system. So we have change our lexicon.

Once we do bring all the functions into coordination with themselves and eliminate the overlap, we have four agencies doing childhood immunization and infant mortality. Once we do that, it will also help if we get the energy out of 7 departments and the Indians out of 14 and put them in the right place. So I don't think these two things are mutually exclusive. I think they can both be done at the same time.

Chairman GLENN. Your apprentice system is left up to 15,000 separate school boards as to whether we are going to have it or not.

Mr. GROSS. Except that you have a national apprentice system where the government helps subsidize with the cooperations the apprenticeship, and they go out of the school and into the apprenticeship and spend half a week, as the Germans do in education, and half a week on the job and the government helps subsidize it. I think that is not in any way conflicting.

Chairman GLENN. Well, it has been an extremely interesting hearing this morning and I appreciate you being with us here and sticking with us. It is now almost 25 after 1:00, and we started at 9:30. So we appreciate you being here this morning.

We will undoubtedly have more questions to submit to you, and maybe we will even have more hearings on this subject one of these days and we may get you back again here, if we could. We appreciate you being here. Thank you very much.

The Committee stands in recess subject to the call of the Chair.
[Whereupon, at 1:23 p.m., the Committee recessed, subject to the call of the Chair.]

APPENDIX

PREPARED STATEMENT OF CHARLES A. BOWSHER

Mr. Chairman and Members of the Committee:

It is a pleasure to appear before you today. We have testified many times before this Committee on the need to improve government management. As you requested, I will summarize what we see as the potential roles and focus of a commission intended to drastically improve the way we manage the Federal Government. I also have some observations on issues you will need to address in order to best structure the commission for success. A commission with a carefully focused mandate can serve as a valuable tool for addressing the growing consensus on the need to change the way the government manages.

COMMISSION SHOULD NOT BE USED TO DELAY ACTION

Any commission focusing on improving Federal management should not serve as a basis for postponing needed actions. Congress and the Executive Branch must move forward on the major targets of immediate opportunity that already have been identified. They should move forward in areas where there is established and growing consensus, such as the full implementation of the Chief Financial Officers (CFO) Act and the enactment of S. 20. Action also is needed in those areas where the possibility for major program improvements has been identified. For example, Congress and the Executive Branch need to promptly address issues raised in our recent *Transition Reports* and *High Risk Status Reports*, the over 2,500 open audit recommendations from other GAO work, and action proposed by agencies' inspectors general. Prompt action in these areas would constitute an important and immediate down payment to the American taxpayers to demonstrate that Congress and the administration are serious about improving the way government manages.

The recently announced initiative under the leadership of Vice President Gore demonstrates the administration's interest in fundamentally improving Federal management. The administration's initiative, the work of the ongoing congressional reform commission, and the role of a legislatively mandated commission to examine the operations of the executive branch would need to be carefully worked out so that their efforts will be complementary and mutually supportive.

CHANGES IN FEDERAL ENVIRONMENT AND MANAGEMENT CONCEPTS

Many new concepts for managing government have surfaced in recent years that are good candidates for careful consideration by a broad-based, bipartisan commission. Although there is consensus on the need for change, that consensus often breaks down as attention is turned to specifics of how to implement those changes.

In areas where broad agreement exists on the direction that needs to be taken, a commission could contribute by determining how these new concepts can be put specifically into practice. In those areas where agreement is lacking on the precise direction to take, such as reforms to the Federal personnel system and streamlining the budget process, a commission could be helpful in building agreement on the changes that need to be made, as well as identifying implementation strategies.

Mission and Roles Have Changed

Over the past 40 years, the federal role has changed dramatically. This has required greater reliance on the use of third parties to deliver program services. One result is that while Federal spending has increased by more than 250 percent in constant dollars over the 40-year period, Federal civilian employment has remained roughly constant.

Traditional management reform has focused on ways to improve the management of Federal agencies. Although this agenda is still very relevant and pressing, the results of most Federal programs are increasingly a function of the quality of per-

formance by nonFederal entities—state and local governments, private contractors, profit and nonprofit organizations—that do not necessarily share Federal program objectives. Reliance on nonFederal entities to implement Federal programs has grown far more rapidly than the knowledge about how to design and manage these kinds of programs. The Federal Government uses a grab bag of subsidies and other tools to engage third parties in programs—tax expenditures, loans, loan guarantees, grants, contracts, insurance, and regulation—without clearly thinking through which tools can best promote national objectives in the least intrusive and costly manner.

Management Concepts Have Changed

The hierarchical, centralized bureaucracies designed in the 1930s and 1940s simply do not function as well in the rapidly changing, knowledge-intensive society and economy of the 1990s. The kind of government that developed during this period, with its reliance on rules, regulations, hierarchical chains of command, and direct provision of services, worked well in a stable environment. It accomplished great things in its time. But today it is a dinosaur. For example, the Department of Agriculture has an extensive and costly field structure of 11,000 field offices, many of which date from the 1930s—before modern transportation systems, computers, and universal telephone coverage facilitated communication.

The recommendations of the 1949 Hoover Commission were based on a set of guiding principles—such as centralization, uniformity, efficiency, and simplification—that worked well in the days before the availability of personal computers, fax machines, and video and teleconferencing. During the intervening years, commissions have been convened to reorganize government agencies. But these efforts relied on the same principles adhered to by the 1949 Hoover Commission.

However, while some of these principles remain important, they need to be reassessed in the context of newer concepts guiding private sector corporations, state governments, and governments in other countries. The new concepts emphasize flattening hierarchies, decentralizing authority, creating a customer focus, encouraging competition, and achieving results. Sometimes this means that to be responsive requires more complicated organizations, which runs counter to notions of centralizing or uniformity. In other cases, it means creating a more appropriate mix between functions the government needs to do and those that can be better handled by the private sector. Therefore, we need to rethink our principles. We must reorient ourselves to whom we serve and how we serve them. A focus on our citizens' needs should be the foundation for managing and for reorganizing our government.

Restructuring along these lines requires a focus on understanding the incentives that drive elected officials, public managers, and employees. Most programs are budgeted according to their historical funding levels rather than according to their results.

This concentrates attention on inputs rather than outputs. To change behavior within the Federal Government, we must change the basic incentives that shape that behavior.

ISSUES FOR A COMMISSION'S AGENDA

But to change, we need to develop a new consensus about a vision for the future and an action plan. We need to better understand the reasons problems exist and attack the root causes, not just the symptoms. GAO believes Federal management can be improved by aggressive action in three broad areas:

- (1) establishing accountability for program results,
- (2) emphasizing a long-term focus, and
- (3) realigning the machinery of government.

Establishing Accountability for Program Results

Ways need to be found to unleash the innovative potential of Federal employees and provide them with the tools and incentives to achieve results. However, changing the government's focus from ensuring that funds are spent properly to managing dollars to produce agreed-upon results will be difficult and gradual and will require a strong commitment from those involved.

One tool for changing behavior in the government lies in a piece of bipartisan legislation pending before this Committee—S. 20, the "Government Performance and Results Act of 1993." This legislation would require all agencies to develop strategic plans, set agreed-upon goals and objectives, and measure their progress towards those goals. The bill seeks to create an environment that would provide managers with incentives and tools they need to focus on results.

The bill also provides for a series of pilots on performance budgeting beginning in late 1997. While establishing more direct links between budget levels and per-

formance is a worthy goal, our recent work in this area in several states regarded as leaders in this field suggests that the goal remains elusive. Performance measures have not yet attained sufficient credibility in these states to influence budget decision-making processes. To date, performance budgeting has not evolved naturally from improvements in performance measurement, in part because of difficulties in achieving consensus on meaningful measures and the absence of underlying supporting mechanisms, such as cost accounting systems. The building block approach envisioned in S. 20, in which performance measures are developed and tested before being applied to the budget process, may increase chances for success. We therefore believe that action on the bill should not be delayed.

While action on S. 20 is important, it is not the only area where broad agreement appears to exist. For example, further action on the implementation of the CFO Act should not be delayed, nor should agencies reduce their levels of commitment to the implementation of Total Quality Management.

These are all examples of areas where consensus appears to exist already and action is needed. However, the experience of some states and other countries suggests that providing greater flexibility and incentives for managers to act is critical to fundamentally improving agencies' performance. These governments granted managers greater freedom by

- reforming their civil service systems to make it easier for agencies to hire and to provide different compensation, incentive, and promotion systems;
- recasting their budget execution systems to allow multiyear budget allocations, gainsharing, and a reduced number of line items in their appropriations;
- devolving more responsibility for control of operations away from central management agencies and creating an environment where managers are held more responsible for their actions; and
- streamlining acquisition processes and allowing choice between government and nongovernment service providers.

Along with this increased flexibility, the governments also increased accountability—but for results rather than processes. Agreement is lacking on the precise approach to providing these and other flexibilities for the Federal Government. These are exactly the types of issues where a commission would be well-suited to build the consensus needed to take action. But we must be realistic. A commission should be part of a broader effort to improve management in Federal agencies. Most of the measures that are essential for new flexibility and accountability will require substantial revisions in procedures currently written into law.

Emphasizing a Long-Term Focus

A misplaced focus on short-term issues is a major deterrent to good management. Several factors create a Federal environment that encourages short-term action in the face of long-term management problems. These are most visible in how the Federal Government fills its top management positions, how it budgets, and how it treats public servants. Addressing the incentives that create a short-term focus will be complex and cut across a wide range of program and policy areas. We believe a commission would be well-suited to address areas where there is consensus on the need for change but not on the specific changes and how they should be implemented.

Choosing leaders

Top positions often are filled by political appointees who generally have little incentive to focus on long-term management issues. Also, there is frequent turnover of people in these positions. The consequences of frequent turnover and the lack of focus on implementation at the top levels of agencies have been substantial. For example, the Social Security Administration has had five permanent or acting commissioners in the past decade. This turnover is disruptive to management operations and a key reason that Social Security has not been able to effectively address long-term organizational problems. Furthermore, over the past decade the roles of senior career managers and political appointees in many agencies have become blurred as the number of political appointees increased. There is not always a clear line between "policy" and "management." However, it is still possible to delegate managerial tasks to career staff and hold them responsible for their performance, while retaining the policy controls that are properly vested in political officials.

A commission's agenda should include a number of issues central to developing leadership continuity and a commitment to act. These should include such issues as reducing turnover among political appointees, the impact of the growth in the number of political appointees, senior management training needs, senior executive performance agreements on results, and the development of professional standards for political appointees and career executives. The British, for example, have devel-

oped performance standards on a program-by-program basis that are the basis for a 3-year performance agreement with the chief executive officers in charge of an agency and annual organizational performance agreements developed between the secretary of a department and the chief executives in charge of agencies within that department.

Revising the budget process

The budget crisis has contributed to a lack of attention to long-term management problems. While this short-term focus is regrettable, it is understandable. Budget decisions are sometimes distorted in order to save cash in the short run; such decisions cost more over the long haul. A prime example is the postponement of maintenance on equipment and buildings owned by the General Services Administration, where maintenance costs were saved in the short term but the total repairs were expensive in the long run.

Consensus is lacking on the precise changes that need to be made to foster a long-term perspective in budgeting. Therefore, a commission should pay particular attention to the following issues:

- Requiring the use of accrual concepts, where appropriated to heighten the recognition of short-term actions that entail long-term costs. The existing cash-based budget structure fosters a short-term focus. Expanding the use of accrual concepts would help recognize the full costs of current decisions.

- Highlighting the differences between spending that contributes to long-term economic growth and spending for current consumption. Decisionmakers need to be able to see the distinctions between investment programs and current consumption when making choices. In addition, more reliable information on rates of return is needed as a basis for choosing among alternative investment options.

- Emphasizing the likely results of choices that are among competing objectives. Considerable performance information is provided in agency budget justifications, but stronger links need to be developed between reported performances agency missions and objectives, and proposed spending levels. Pilot projects, such as those that would be authorized by S. 20, would be helpful in developing those links over time.

Strengthening the Public Service

Sustained cuts in agency operating budgets and underinvestment in the public service have diminished the ability to manage well. The lack of sufficient investment in agency staffing and training, coupled with the failure to modernize Federal employment practices to stay competitive with other employers, has undermined the Federal workforce's ability to effectively manage the programs with which it is entrusted. For example, well over half of agency chief financial officers have highlighted serious problems with attracting and retaining well-qualified personnel and upgrading their training efforts.

Human resource issues need to be dealt with seriously if the public service is to provide the leadership necessary to address the management problems facing the government. While we and others have gone a long way toward identifying some of the major human resources problems facing the government, consensus is lacking on the specific changes that are needed. Many of the possible changes are particularly sensitive and require broad agreement on the course we should take. A commission could devote attention to identifying ways to

- enhance the government's ability to effectively manage its workforce by giving agencies more flexibility to manage the mix and performance of their employees,

- modernize the government's employment policies to recognize and accommodate the impact of dramatic demographic changes that have occurred in the Nation's workforce, and

- restore a positive public image for the public service to rebuild the public's confidence in government and to make it a more attractive career choice.

Realigning the Machinery of Government to Support Results-Oriented Action

All too often, the existing machinery of government stifles results-oriented agency action. The traditional posture of central management agencies has been to control and regulate line agency actions and resource usage, encouraging Congress to take the same overly detailed approach. Individual agencies frequently have unclear missions and ineffective organization structures.

Central management agencies

In recent years, the central management agencies—the Office of Management and Budget (OMB), the General services Administration (GSA), and the Office of Personnel Management (OPM)—have begun a gradual shift from being control-oriented to helping agencies take the lead in a series of areas.

The historical controlling role has created an environment of often ineffective results. For example, GSA's management of public buildings has created tensions with its agency customers. In its attempt to be cost-effective, GSA has acquired space in locations perceived by client agencies as undesirable; tried to relocate agencies into this space; and on occasions when it failed, paid rent for months on empty space.

In addition, OPM controls certain aspects of the hiring process for agencies. The examination process introduced in 1990 for job applicants imposed new and undesirable administrative procedures on both applicants and agencies. It further reduced the already tenuous link between an agency's recruiting and hiring functions. As a result, there is no guarantee that agencies can hire the candidates they meet and interview on college campuses, and applicants may get job offers from agencies for which they have no desire to work.

Decreasing central management controls and giving line managers the authority to act within an overall framework of results oriented objectives have been significant management trends in private corporations, states, and other countries during the past decade. Some states and other countries have devolved certain functions traditionally held by their central management agencies to line agencies. They have broadened the authority of individual agencies to take the lead, for example, in classifying personnel positions, recruiting staff, acquiring office space, and determining appropriation drawdown rates. Broadening agencies' authority to act within a defined framework seemed to provide managers the incentive to focus on results instead of complying with top-down constraints.

There is a distinction to be made between being controlling on the one hand and, on the other hand, establishing needed overall governmental policies and standards and providing helpful advice and assistance. For example, it is unacceptable for the top levels of government to fail to provide accounting, reporting, and systems standards to the agencies that will help them to meet the information needs of users across government and to properly inform its citizens. Yet, that is the position we are in today.

It is also unacceptable that central agencies do not provide line agencies with models of information systems that show how to meet most expeditiously the information needs of people who lead government activities and who provide the budgetary resources for government operations. Yet today, agencies and departments are virtually on their own when they seek to develop basic information systems. As a result, costs are higher than they should be and there is no assurance that the systems will best serve the users' needs or fit together at the top of the government.

In the last decade, the Federal Government's central management agencies have begun to serve a support role and delegate the authority to act in certain areas. Credit for this is partly attributable to OMB's support for Total Quality Management and the creation of a deputy director for management position. OMB's management staff has increased its emphasis on assisting, rather than instructing, agencies in resolving their management problems.

A commission's contribution could be to identify and promote agreement on ways to encourage and accelerate the central management agencies' efforts to devolve authority to the agencies.

Agency missions and structures

Agencies also need to realign their efforts. In many cases, the Federal Government has become too complicated for the average citizen to understand. The government should be made comprehensible and "citizen friendly." To do this, though, first requires that agencies themselves have a clear sense of their own purposes.

Many Federal departments and agencies—having taken on their present characteristics over the course of some 60 years or more—no longer articulate a clear sense of direction and mission.

They are asked to do too many things without a sense of priority and are given competing objectives. GAO's reports are replete with examples of agencies that have multiple competing objectives and complex program efforts that are fragmented among several agencies. For example:

—The Department of Commerce is a loose collection of more than 100 largely unrelated agencies and programs and seems to have no coherent mission. Some have argued that the Department's logical assignment would be to promote U.S. industrial competitiveness. Perhaps that view will prevail. But if it does, the Department will need to not just clearly articulate this mission but to build the capacity to fulfill it.

—Both the guaranteed student loan and the farmers loan programs face conflicting objectives of (1) providing assistance to those unable to obtain loans from the commercial markets and (2) being fiscally prudent lenders.

—The Department of Labor administers most of the Federal Government's training programs. But the \$16 billion Federal investment in employment and training is scattered among a myriad of 125 separate, uncoordinated programs that are administered through 14 departments and agencies. In some cases, these programs suffer from insufficient oversight, spend money improperly, and inadequately serve the people they are supposed to help.

Government organization is a major problem and would logically seem to be among the first that a commission could address. However, because of entrenched interests and the adverse effects major structural changes have on the morale and capacity of an organization, it may be the most difficult. Any effort should not be focused solely on the "boxology" of streamlining or simplifying. Rather, a commission's contribution could be to pose the fundamental questions involving agencies' roles and missions.

CREATING AN EFFECTIVE COMMISSION

I would now like to address some of the issues that need to be considered in creating a commission to address these problems. The issues surrounding the creation of a commission are much like the major questions facing the government as a whole: what should be its purpose, and how should it be structured and operated to achieve results?

Focus of the Commission

Defining a clear focus for the commission will be crucial because it will be a precondition for success. The legislation will need to set a commission's scope and give it a clear mission. A commission will then need to translate its mission into specific objectives, identify areas of consensus, and identify areas that lack consensus that will need more work.

Without a clear mission and objectives, there is a danger that a commission could be diverted to focusing primarily on eliminating individual instances of inefficiency and mismanagement, or getting rid of "unneeded" programs or activities. Such efforts are clearly needed. However, the most productive use of a commission's time would be to identify the underlying causes of these problems and solutions.

GAO's past work on agency management indicates that over the long run there is a need to reform practices in personnel management, budget execution, accounting and financial management, performance standards, delegation and accountability, training at all levels, recruitment, and executive competence and leadership. Further, there is a critical need to develop practical information about what works, particularly at the state and local level where so many of the Federal dollars are actually spent.

Structuring a Workable Commission and Getting Action

In addition to a clear focus, a successful commission should be small and composed of high-caliber people. They should be given a defined time frame and a defined set of products. We believe a commission with a small number of members will be able to meet more often, resolve their differences more constructively, produce reports more quickly, and may be more effective. The two Hoover commissions, for example, had 12 persons each. The caliber of people on these commissions was considered to be exceptional. They were given a defined time frame of about 18 months, and each produced a series of about 20 reports.

Because of the potentially broad focus of a commission, it may want to use task forces, like the Hoover commissions, to address specific functional areas. In that case, one or two commissioners headed each task force. More recently, a commission that staffed its task forces with career government employees—who had institutional knowledge of previous reform efforts—completed its work rapidly and was largely successful in implementing major recommendations for personnel reform.

Of utmost importance is the need for a close working relationship between the commission and those whose responsibility it will be to implement its recommendations. One way would be for the commission to have representation from both the legislative and executive branches. Another would be to require periodic interim reports by the chairman of the commission to the congressional leadership, and the president could encourage such working relationships.

In summary, Mr. Chairman, we believe that a commission could play a valuable role as one of a broad range of efforts to improve Federal management. Most Federal managers want to be efficient. When they run inefficient operations, it is usually because something requires them to do so, or because there are strong incentives to do so, or because they do not know how to fix it. The problem is the system, not the people in it.

We believe a commission can add value to the broad agenda of change facing Congress and the President but it must not be a substitute for action in the areas where there already appears to be broad agreement—for example, acting on S. 20 and continuing the implementation of the CFO Act.

This completes my prepared statement. My colleagues and I would be pleased to respond to questions.

PREPARED STATEMENT OF LEON E. PANETTA

Mr. Chairman, Senator Roth, members of the Committee. I am very pleased to be here today—precisely two months after appearing before you on the subject of my confirmation—to discuss various proposals being considered by this Committee to help our government be more effective and efficient at bringing programs and services to the American public. I have a brief statement and then would be happy to answer your questions.

I am particularly delighted you are considering proposals that go beyond mere management 'window-dressing', and which set about—in a very fundamental way—to transform how our government is organized and the way it goes about doing business.

I am no stranger to suggesting the need for substantial change. As you know, Senator Campbell's bill, S. 255, parallels closely a measure I introduced last year in the House. I point this out, not to make any particular brief for Senator Campbell's wisdom in choosing such a splendid model, but to express my enthusiasm at now finding ourselves standing on the threshold of introducing lasting and worthwhile changes.

I would be remiss if I did not acknowledge the outstanding leadership shown by this Committee over the past decade to improve the management of the Federal Government. Both the Nation and those of us now laboring in the Executive Branch are benefiting from your efforts in enacting legislation to strengthen financial accountability and controls, attack waste and fraud, and provide for a capable and skilled Federal workforce.

I can assure you that management and reform are not only high on my agenda, but that they are high on the president's agenda as well. Having already spent dozens of hours with him reviewing how programs are currently doing, what they should be doing, and how to make them more effective, I can assure you that this President is very much engaged in the management of this government.

NATIONAL PERFORMANCE REVIEW

Nothing better exemplifies the president's commitment to make government work better than his announcement last week of a major initiative to streamline government led by Vice President Gore. I was pleased to see that the Chairman, Senator Roth, several other members of this Committee, and other members of the Senate and House joined him as he made that commitment. You have first-hand evidence that he is very serious about this effort.

Mr. Chairman, I ask that a copy of both the President's and the Vice President's remarks announcing this initiative (which are attached to my statement) be made part of the record.

I would like to describe briefly several features of the National Performance Review, features that distinguish it from prior task forces, commissions, and studies. First, we will rely on the great depth of knowledge possessed by Federal employees at all levels on what is working and what is not, and on their suggestions for improvements. Secondly, this review will enlist the support and ideas of the American public in defining the changes that ought to be made. Third, we are placing a special emphasis on improving the quality of Federal services to the citizens of this country. They are, after all, the ones who pay for these services. Fourth, this effort is to be bipartisan. As the President pointed out, no party has a monopoly either on fault for creating the problem or on ideas for solving it. This Committee has been a model for such bi-partisan reform. Finally, we are adamant that this review will not result in just another report to be printed and quickly put on the shelf.

We expect that many of the recommendations produced as a result of this initiative will require either new legislation or amendments to existing law if these are to be accomplished. There is much to be said for developing legislation that would work toward producing quick Congressional action on such recommendations. We look forward to working with the Committee as we define more precisely the need for such legislation.

Let me turn, if I may, to S. 20.

S. 20, THE GOVERNMENT RESULTS AND PERFORMANCE ACT OF 1993

Perhaps there is no better signal of how President Clinton differs from his predecessors than my telling you that he has reviewed and discussed S. 20, the Government Performance and Results Act of 1993, and I am pleased to be able to advise the Committee today that this Administration strongly supports this bill. Mr. Chairman, I want to thank Senator Roth, you, and the members of both this Committee and the Senate who conceived of and advanced this legislation. I also would like to acknowledge the initiative of Representatives Conyers and Clinger, the Chairman and Ranking Minority Member of the Committee on Government Operations in the House, for introducing H.R. 826, a companion bill to S. 20.

Let me briefly summarize the main features of S. 20. This bill requires Federal agencies to: (1) develop strategic plans by fiscal year 1998; (2) prepare annual plans setting performance goals beginning with fiscal year 1999; and (3) report annually on actual performance compared to goals. Agencies are authorized to waive administrative requirements and controls to provide greater managerial flexibility in exchange for greater accountability. A series of pilot projects will be undertaken over the next several years to test and demonstrate these concepts. At the conclusion of the pilot projects, QMB and GAO will report to Congress on the results. Congress will consider these two reports, and vote no later than September of 1997 to initiate full government-wide implementation of the bill's planning, measurement, and reporting requirements.

In fiscal years 1998 and 1999, there will be pilot tests of performance budgeting, which the bill defines as presenting "the varying levels of performance, including outcome-related performance, that would result from different budgeted amounts." With this bill, we will immediately undertake a more limited—but very useful—form of performance budgeting, in which the performance goals that are annually set will conform with the level of resources requested in the budget. Starting next year with the pilot phase of S. 20, we will begin building a system that comprehensively sets out to correlate performance, particularly results-oriented performance, with budgeted amounts. I would add that, in the course of the pilots, we anticipate looking at how we might adapt performance measurement, performance budgeting, and managerial waiver provisions in S. 20 to those Federal programs largely administered by States and local governments.

S. 20 is a major step toward making the Government accountable to the American people by making it clear what the taxpayers are getting for their money and removing some of the red tape that bedevils all of us. As every other enterprise has learned, government officials must manage for results, and not just to rules and regulations. This accountability both empowers and rewards those who improve performance. S. 20 provides us with a sound foundation as we go about the task of reinventing our government, and we urge its swift passage.

The Administration also asks that the Committee consider several amendments to S. 20.

The first of these amendments addresses a concern inherent in Section 10, "Effective Dates and Procedures". As I mentioned earlier, this section requires a future Congressional vote and approval before the Government initiates certain basic management practices called for in the bill. Our proposed amendment would provide an opportunity to adjust the bill's permanent provisions on the basis of three years of experience from the pilot projects that it requires.

Specifically, we propose that this section be amended to require that the President report to Congress by July 1, 1997, on preparations for initiating governmentwide implementation of S. 20 in fiscal year 1998. This report would also allow the President to recommend modification of the bill's post-1997 permanent provisions (including effective dates). We point out that the President need not recommend any modification, and he could signal his conviction that implementation proceed as presently called for in the Act. However, if the President recommends modifications, this would act as a 'trigger' to begin the joint resolution process. The recommendation would form the content of this joint resolution, which would be considered and acted on by the Congress.

A second set of amendments would allow more flexibility in how alternate forms of performance goals could be defined, and in reporting actual performance against such alternate forms.

My staff has discussed these changes with the Committee's staff, and I hope that they will be considered favorably by the Committee during markup.

COMMISSIONS

The Committee is considering four bills that would establish commissions to produce reforms and restructurings of the Federal Government. The task of each

commission would vary, although all four bills would require recommendations covering consolidation and elimination of agencies.

Aside from this common element, the various commission proposals would charter reviews and recommendations in over 10 areas, including: service delivery; the regulatory process; devolution; privatization; mission statements; block grants; 'sunset' review and reauthorization of programs; workforce reductions; agency capabilities and capacities; and consolidating, streamlining, and eliminating programs.

Mr. Chairman, I want to commend yourself, the ranking minority member Senator Roth, Senator Lieberman, and others for their work in this area. These bills go a long way in highlighting the need for action. However, Mr. Chairman, the Administration respectfully asks that the Committee defer action on any of the Commission bills currently introduced. We believe that the better course would be to use the recommendations of the National Performance Review to help define the nature and content of any legislation in this area. We fully anticipate that legislation will be required to carry out many of the Review recommendations, but that any attempt now to define the statutory parameters is premature. We also might want the Congress to consider some type of permanent or continuing authority, rather than simply a one-time, one-shot Congressional consideration and action procedure.

I suggest the approach of waiting for the Review recommendations as an alternative to going forward at this time on the commission bills. The Review is designed to address many of the structural and operational concerns that the commissions were intended to cover. Deferring action also allows the Vice President and the Executive Branch, over the next six months, to produce a set of recommendations in lieu of having a commission do so. I hope that you will agree, Mr. Chairman, that waiting to work on these areas until a bill chartering a commission is enacted might delay this effort unnecessarily for many months. Let me assure you, Mr. Chairman, that we will be ready to work with the Committee in every way to help develop legislation that will complement the effort now begun.

Mr. Chairman, let me conclude by again recalling my last appearance before this Committee. At that hearing, we talked about putting the "M" back in OMB. What the Committee is considering today is not simply putting the "M" back in OMB, but helping put the "M" in every Federal department and agency. I applaud your efforts. We are both interested in your ideas and appreciative of your support. I would be happy to respond to your questions. Thank you.

THE WHITE HOUSE

OFFICE OF THE PRESS SECRETARY

THE PRESIDENT: Ladies and gentlemen, I think you all know we are here to announce a terribly important initiative in this administration to bring about greater efficiency and lower cost of government.

I want to begin by saying that we intend for this to be a bipartisan and a citizen government effort. And I'm delighted by the concerned Members of Congress who are here today with the Vice President and me—people who have already worked on this issue. I'd like to begin just by acknowledging the presence here of Senators Glenn and Levin, Senator Cohen, Senator Dorgan, Senator Lieberman, Senator Roth, and Senator Krueger; and in the House, Congressman Conyers, Congressman Clinger, Congressman Gordon, Congressman Laughlin, and Congresswoman Pryce and Congresswoman Slaughter. All of them have manifested an interest in the issues we are here to discuss today.

I also want to especially thank the distinguished comptroller of the State of Texas, John Sharp, who's to my right here, for the work that he did with us to put this project together and for coming all the way from Texas to be with us and with his Senator.

Today, I am taking what I hope and believe will be a historic step in reforming the Federal Government by announcing the formation of a National Performance Review. Our goal is to make the entire Federal Government both less expensive and more efficient, and to change the culture of our national bureaucracy away from complacency and entitlement toward initiative and empowerment. We intend to redesign, to reinvent, to reinvigorate the entire national government.

Working under the direction of the Vice President for the next six months, we'll conduct an intensive national review of every single government agency and service. We'll enlist citizens and government workers, and leaders from the private sector in a search not only for ways to cut wasteful spending, but also for ways to improve services to our citizens and to make our government work better.

I'll ask every member of our Cabinet to assign their best people to this project—manager, auditors, and front-line workers as well. And to put the M back in the OMB, I've asked Phil Lader, who is to my far left, the new Deputy Director for Management at OMB, and a person who has spent his life solving difficult and challenging management and people problems, to take the lead in making our government work better, not only during this six-month period, but permanently for as long as I am President.

We will turn first to Federal employees for help. They know better than anyone else how to do their jobs if someone will simply ask them and reward them for wanting to do it better. We'll ask the public to help us improve services and cut waste by calling an 800 number or by writing to the Vice President, because no one deserves a bigger say in the services government provides than government's customers, the American people. We'll look for ways to streamline our own organizations to reduce unnecessary layers and to improve services to the better uses of technology by giving managers more flexibility and by giving front-line workers more decision-making power. Just as we're trying to do that in the White House, we will try to do that throughout the national government.

When I was the Governor of Arkansas, our state became the first in the Nation to institute a government-wide total quality management program. And I can tell you, it works. It isn't easy, it isn't quick. It can make a huge difference, not only to the people, but also to the people who work for the government as well.

We'll look at the good work that has already been done, including many thoughtful reforms proposed by Members of the Congress, including the work last year by the House Task Force on Government Waste, chaired by then Congressman and now Senator Byron Dorgan. They discovered, among other things, that the Pentagon had stockpiled 1.2 million bottles of nasal spray. Even with my allergies, I only need half that many. [Laughter.] As we locate such waste and wipe it out, it will be a breath of fresh air to the American taxpayers.

Cutting spending will be a priority. But so is making the system work better for the people who work in government and the people who pay the bills and are served by it. The truth is we can't achieve the savings we want simply by cutting funds. We must also use the remaining funds in a much wiser way. We'll challenge the basic assumptions of every program, asking does it work, does it provide quality service, does it encourage innovation and reward hard work. If the answer is no, or if there's a better way to do it or if there's something that the Federal Government is doing it should simply stop doing, we'll try to make the changes needed.

Many good programs began for a good reason—to serve a national purpose or to give the states time to develop an institutional capacity to administer them. But times change and in many cases state and local governments are now better suited to handle these programs. The Federal Government simply can't do everything and there are many things the states or the private sector could do better.

This performance review will not produce another report just to gather dust in some warehouse. We have enough of them already. That's why I am asking for a list of very specific actions we can take now, agency by agency, program by program. This is hard work. We've been a long time getting to this spot and we can't change the government overnight, but we can continuously improve our operations in ways that reap dramatic results for the people of this country.

Two years ago, when the State of Texas faced an enormous budget shortfall they lost a performance review under the leadership of John Sharp that saved the taxpayers billions of dollars over the ensuing years—made government work better at the same time.

Last month, Senator Bob Krueger took out an ad in *The Washington Post* just inviting the public to call a waste hotline to help make government work and to help make it 100 percent fat free. He got 200 calls the first day.

Vice President Gore and I think a national performance review is an absolutely necessary beginning because we have too much to do that a wasteful and mismanaged government will not be able to do. We have to cut and invest at the same time, something that's never been done before. We have to reduce the cost of health care and meet the challenges of an intensely competitive global economy. And we have to do those things with less money than we're spending in many areas today. We have to reduce the largest deficit in our history, as we do in our economic program, or it will literally rob us of our ability to solve problems, invest in the future, or thrive economically.

And most important, the American people deserve a government that is both honest and efficient, and for too long they haven't gotten it. For most Americans, a college loan or a Social Security check represents a common border with the best ideals and goals of our country. We all count to some extent on our government to protect the environment, to provide education and health care and other basic needs. But

democracy can become quickly an empty phrase, if those who are elected to serve cannot meet the needs of the people except with government that costs too much or is too slow or too arrogant or too unresponsive.

Finally, let me stress that this performance review, as I said at the beginning, is not about politics. Programs passed by both Democratic Presidents and Republican Presidents, voted on by Members of Congress of both parties, and supported by the American people at the time, are being undermined by an inefficient and outdated bureaucracy, and by our huge debt. For too long the basic functioning of the government has gone unexamined. We want to make improving the way government does business a permanent part of how government works, regardless of which party is in power.

It isn't written anywhere that government can't be thrifty or flexible, or entrepreneurial. Increasingly, most government is and it is time the Federal Government follow the example set by the most innovative state and local leaders and by the many huge private sector companies that have had to go through the same sort of searching reexamination over the last decade companies that have downsized and streamlined and become more customer friendly and, as a result, have had much, much more success.

In short, it's time our government adjusted to the real world, tightened its belt, managed its affairs in the context of an economy that is information-based, rapidly changing, and puts a premium on speed and function and service, not rules and regulations.

Americans voted for a change last November. They want better schools and health care and better roads and more jobs, but they want us to do it all with a government that works better on less money and is more responsive. The American people may not know specifically how to do it, although many of them have good particular ideas, but I'm confident our people are willing to try new ways and they want us to experiment. They want us to do things that have worked in other contexts, now in the National government and that's what we are here to do today.

I thank the Vice President for his willingness to lead this effort. I thank the Members of Congress who are here and those who are not who are supporting us. And I earnestly enlist the support of the American people and especially the employees of the United States government in this important effort.

I'd like now to introduce the Vice President who will be in charge of this effort of performance review for the next six months for his statement.

THE WHITE HOUSE

OFFICE OF THE VICE PRESIDENT

Mark this date: President Clinton is starting a revolution in government. It won't happen overnight, and it won't be easy, but it will fundamentally change the way our government works for the people it serves and the people it employs.

President Clinton believes strongly in the urgency and importance of this change and so do I. For me, leading this effort represents a challenge I sought and a commitment we share to make our government work better, harder, and smarter for the American people.

Our announcement today is revolutionary, but it shouldn't be surprising. President Clinton is offering the American people a bold and dramatic initiative for our economy—to create jobs, sustain growth, and reduce the deficit. President Clinton started the change where it has to start, with the government. The President has reorganized the White House, told his cabinet to park the limos, pare the perks and cut the bureaucracy by 100,000 positions. And, he's ordered a 14 percent reduction in administrative costs. All together, that's \$16 billion in savings.

But this is about more than just cutting spending, or taking out the green eye-shades and sharpening the pencils. Today, we are starting what will be a continuous and vigilant process to make government work better—to use every tax dollar wisely, to weed out dead ideas and encourage new, creative ways, and to borrow a phrase I've heard once or twice before—to put people first.

Today, President Clinton is making sure that government knows what every business knows—the customer comes first and, if you can't serve your customers efficiently, effectively, and responsively, then you're not doing your job. Business people know about the quality revolution—it's changed the way they do business and it's kept them in business. The President's chief of staff, Mack McLarty, knows that from his experience leading a Fortune 500 company and he's putting that experience to work here. Now, America has a chief executive in President Clinton who knows

it's time for a quality revolution in government—a revolution aimed at changing the way government works.

It's time we had a new customer service contract with the American people, a new guarantee of effective, efficient, and responsive government.

It's time we cut the red tape and trimmed the bureaucracy. It's time we took out of our vocabulary, the words, "We've always done it this way." And, it's time we listened to the people who work for our government. The greatest untapped resource we have is their ingenuity, their brainpower, and their experience.

To every government worker, to every American citizen, we are today issuing a challenge and an invitation: help us get rid of the waste and the inefficiency, help us get rid of the bureaucracy, let us know when you spot a problem and tell us when you've got an idea. We want to hear from you. If you spot waste or fraud or abuse, call one of the 800 numbers located throughout the government and let us know. If you have an idea of how we can do a better job or spot a problem that needs fixing, write to me here at the White House and mark your envelope "Reinventing Government." We are determined to work with you to make our government work better.

That's the idea behind the National Performance Review the President is announcing today. For the next six months, we will take a fine-tooth comb to every federal agency and every federal expenditure in an unprecedented nationwide review focused not just on cutting wasteful spending but also on improving services and making our government work better. We will work in a close partnership with the cabinet secretaries and agency administrators all across the government. We will consult closely with the appropriate Congressional committees, and with the members here today whose leadership has been so important on these issues.

At the end of six months, we will have real results and real proposals to offer. We don't need another report to put on the shelf to collect dust. We do need a real plan for action and that's what we're after. But we won't stop there. We didn't get into this hole overnight and we won't climb out overnight. But, when we do climb out, we will have the kind of government we want, and it's going to be moving forward, finding new and better ways to work for the American people.

So, today, I applaud President Clinton for his leadership and pledge to him, to every federal worker and to every American citizen that the fundamental changes we're after will be found, that together we can create a government that responds to the people it's supposed to serve, that we can create a government that works smarter for less, that we can create a government that moves forward instead of dragging us back, with a vision that embraces change and offers progress.

A REVOLUTION IN GOVERNMENT

"The people demand and deserve an active government on their side. But they don't want a government that wastes money, a government that costs more and does less. They voted for change. They wanted a literal revolution in the way government operates, and now, you and I must deliver."

President Bill Clinton
Remarks to the Cabinet
 February 10, 1993

Today, the President has asked Vice-President Gore to lead a revolution in Washington that will change the way government does business. The American people deserve a government that treats them like customers and puts them in charge—by providing more choices, better services, less bureaucracy, and a good return on their investment.

Four principles will guide this revolution in government:

1. *Before we ask ordinary Americans to do more, government must learn to make do with less.* It is time to demonstrate that government can be as frugal as any household in America.

2. *Our goal is to improve services and expand opportunity, not bureaucracy.* Over the past decade, America's most successful companies restructured themselves to meet the global competition by eliminating unnecessary layers of management, putting more power in the hands of front-line workers, and finding out what their customers want—and then delivering it. The Federal Government must finally undertake the same searing re-examination of its mission that companies go through every year just to survive.

3. *Government will only succeed if it listens to its customers, the American people.* We need to make government customer-friendly—by giving people more choices, better services, and a bigger say in how their government works.

4. *This revolution in government must come from within.* No one is more frustrated by the bureaucracy than the workers who deal with it every day and know better than anyone how to fix it. Employees at the front lines know how to make government work if someone will listen.

THE NATIONAL PERFORMANCE REVIEW

It is not enough just to cut government—we need to rethink the way government works. We need to reexamine every dollar of the taxpayers' money that government spends, and every minute of time the government puts in on business. The hard-working people who pay the bill for government in and year out have a right to know they're getting their money's worth.

For the next six months, under the Vice President's direction, experts from every Cabinet department will carry out a nationwide review of every government program and service. The National Performance Review will enlist front-line Federal workers and the general public in a nationwide search for ways not only to cut wasteful spending, but to improve services and make government work better.

The National Performance Review is designed to instill a new spirit of responsibility and innovation into every department. It will challenge the basic assumptions of every Federal program, by asking the hard questions that government has dodged for too long.

- Does the program work?
- Does it waste taxpayer dollars?
- Does it provide quality customer service?
- Does it encourage government innovation and reward hard work?
- Finally, if the answer to these is no, can the program be fixed—or is it not longer needed?

The National Performance Review will put more than 100 managers, auditors, and front-line employees from across the government to work on specific recommendations for improving services and cutting waste. They will:

- evaluate the efficiency of every Federal program and service;
- identify specific spending cuts in Federal programs and services that don't work anymore, or no longer advance the mission they were intended to serve;
- recommend ways to streamline the bureaucracy by eliminating unnecessary layers of management and reducing duplication of effort;
- ask Federal workers and the American people to send the Vice President specific suggestions on how to improve services and cut bureaucratic waste; and
- find ways to improve services by making better use of new information technology, and by making government programs more responsive to the customers they serve.

This Review will not produce another report—Washington has had too many reports and not enough action. The National Performance Review will present the President with a list of specific recommendations for action—program by program and agency by agency.

The Texas Model

The National Performance Review is patterned after an innovative and highly successful program pioneered by Texas Governor Ann Richards and Comptroller John Sharp. Two years ago, facing a \$4.6 billion budget shortfall, the Legislature asked Sharp to conduct a sweeping review of every aspect of Texas state government. A team of 100 auditors from 16 state agencies worked around the clock for five months—conducting hundreds of interviews with front-line workers and fielding thousands of calls from taxpayers.

The Texas Performance Review presented recommendations for savings of \$4.2 billion. The Legislature adopted more than 60% of the Review's recommendations, saving a total of \$2.4 billion. A second review this past year proposed recommendations on how to save \$4.5 billion more.

PREPARED STATEMENT OF DAVID OSBORNE

Mr. Chairman, I would like to begin by thanking you and the members of this committee for your attention to a problem that is so often overlooked in Washington.

Amidst all the debates about Federal policy, Federal spending, and Federal taxes, few stop to ask a very simple question: Once we legislate it and appropriate the money to pay for it, how do we make it work? Debate in Washington often takes place as if policy is all that matters, and implementation will follow automatically. In the real world of government bureaucracy, however, effective, efficient implementation is anything but automatic.

I would also like to applaud the attention you have given with this hearing to S. 20, the "Government Performance and Results Act of 1993," introduced by Senators Glenn and Roth, and to several bills introduced by Senators Glenn, Roth, Lieberman and others to create a commission to reform Federal Government operations. The majority of the American people believe the Federal Government simply does not work. In a CBS poll taken last May, 17 out of 20 adults said the Federal Government needed either "fundamental change" or "a complete rebuilding." Unless we take the kind of extraordinary measures recommended by the bills mentioned above, we will have little hope of creating the dramatic improvements the citizens of America demand.

Indeed, government is virtually the only sector of American society that has yet to reinvent itself for the information age. Business leaders have spent the last decade decentralizing authority, flattening hierarchies, empowering their employees, focusing on quality, and getting closer to their customers. Voluntary, non-profit organizations have launched a thousand new initiatives, often working in partnership with the public or for-profit sectors. But government, by and large, has remained the same: sluggish, centralized, and bureaucratic.

The model of government we inherited from the industrial age achieved great things in its day, but it is no longer effective. With its monopolies, its preoccupation with rules and regulations, and its hierarchical chains of command, it simply cannot keep up with the rapidly changing, highly competitive, information-rich society and economy in which we live. The Federal Government—by far our largest government—is particularly outmoded. Like some huge luxury liner in an age of supersonic jets, it is slow, it is cumbersome, it is expensive, and it is very difficult to turn around.

Yet even the Federal behemoth can be reinvented. State and local governments all across America have begun restructuring themselves in fundamental ways, often with great success. Many of our foreign competitors have done likewise. Canada, Great Britain, Sweden, Australia and New Zealand are all far ahead of us, at the Federal level.

If we are to be successful, the first thing we have to understand is what kind of restructuring is necessary. When public sector leaders talk of restructuring, they normally mean reorganizing—moving the organizational boxes around. In 1993, this would be akin to rearranging the deck chairs on the Titanic. Another common impulse is that of the "Efficiency Commission:" a blue-ribbon panel to look over everything the government does and recommend functions to be eliminated, consolidated, or streamlined. (The Grace Commission offers a recent example.) Unfortunately, even when such commissions come up with useful lists, they are rarely implemented by Congress—because every program has its constituency. And even if an efficiency commission could be effective today, the streamlining approach amounts to throwing a few deck chairs off the Titanic as it sinks. It also does little to help in the long run; it may eliminate some waste today, but within five years the exercise will need to be repeated.

What we need is not simply an efficiency commission, but a commission that changes basic Federal systems, such as the budget system, the Civil Service system, the procurement system, and the accounting system, and restructures basic Federal programs, such as the 557 grant programs for state and local governments through which Congress funds much of its domestic agenda. We need to create a Federal establishment that *constantly* pares away the obsolete, eliminates failed programs, and rewards innovation. Rather than weeding the garden once, our goal should be to create a new regimen that keeps the garden permanently weed free.

To do this, we must restructure the basic incentives that drive public managers, public employees, and elected officials. Our Federal bureaucracies grow so large and so sluggish not because those who work for them want it that way, but because the basic incentives operating on those bureaucracies literally *demand* that it be that way. For example, most public programs are monopolies whose customers cannot go elsewhere for a better deal. Most are funded according to their *inputs*—how many children qualify, how many families are poor enough—rather than their *outcomes*, or results. Most are considered important not because they achieve tremendous results but because they spend tremendous sums of money. Their managers earn greater stature and higher pay not because they have demonstrated superior performance, but because they have built up a larger bureaucracy. Their employees are

hired, fired, and rewarded not because they have done their jobs *well*, but because they have held them for a *long* time.

With such incentives embedded within all our major control systems—our budget system, our personnel system, our reward system, our procurement system, even our accounting system—is it any wonder that we get bureaucratic behavior rather than entrepreneurial behavior? Is it any wonder that Federal managers spend so much of their time writing memos and covering their backsides? Is it any wonder that so much Federal “work” consists of little more than sending memos up the chain of command, rewriting those memos, and sending them back down the chain of command?

To change behavior within the Federal Government, we must change the basic incentives that shape that behavior. We must create a set of dynamics—through the use of competition, the measurement of results, the decentralization of authority, and the creation of real consequences for success and failure—that give public organizations no choice but to strive for continual improvement, no choice but to rid themselves of the obsolete and invent the new. We must not redesign the organizational chart so much as redesign the basic systems that give our public organizations their unwritten marching orders. Our goal must be public organizations that constantly improve, constantly redesign, constantly innovate, constantly drive their costs down and their quality up.

REINVENTING THE BUDGET SYSTEM

Few people outside government pay any attention to budget systems. But budgets control everything an agency does. Nothing affects an agency's behavior more directly than the way it receives its resources—the strings that come attached to its money.

Many Federal agency budgets, for example, fence money into dozens of separate accounts, called line items. (In one military branch, installation commanders have 26 different line items for housing repairs alone.¹) Some of this is done by Congressional appropriations bills, some by the committee reports that accompany those bills, and some by departments themselves.

Whatever the source, the results are often perverse. When money is trapped within line items that made sense last year or the year before, but conditions have changed, Federal managers cannot always move their funds. Consider the military base that had no line item to purchase snowplow equipment, but had a maintenance account. When the snowplow died, it spent \$100,000 a year to lease a snowplow it could have purchased for \$100,000. This kind of thing happens all the time in the Federal bureaucracy. By fencing money into line items, we waste billions of dollars every year.

Even worse, managers who do not spend their entire budgets by the end of the fiscal year must normally return the excess. Typically, they are then punished by receiving less in the next appropriation. Many managers know where they could trim 10 percent of their budgets, but they have no incentive to do so. Why bother, if they just have to return the savings, and they get less money in the future? As a result, smart public managers spend every penny of every line item, whether they need to or not. This explains why there is a rush to spend money at the end of every fiscal year—despite rules that forbid it. It also explains why Federal bureaucracies continue to grow: The budget system actually encourages managers to waste money.

The solution has three steps. The first is to minimize line items. The second is to reward agencies that do not spend their entire budgets by letting them keep half of what they do not spend. The third is to create a “performance-based budget,” by measuring the performance of each agency and tying positive rewards (whether bonuses or increased funding) to the achievement of performance goals. These new approaches have been used successfully by local governments, state governments, foreign governments, even the Defense Department.²

In most areas, the Federal budget should have one line item for each program that has a distinct mission. By freeing funds from narrow line items, Congress would allow agencies to operate in the most productive fashion they could find. In addition, Congress could minimize the annual end-of-the-year spending rush simply by allowing agencies to roll over half of what they do not spend in a year. When tried in state and local governments, this simple change has revolutionized the behavior of managers and employees. Rather than searching for ways to *spend* their excess money, they suddenly begin searching for ways to *save* money because they know they can use half of the savings to fund their emerging priorities.³ (To reduce the end-of-the-year rush even further—and to create more predictability for Federal managers—the President and Congress could shift to a two-year budget-cycle.)

By freeing agencies from rigid line items, Congress would be loosening its control over inputs. In return, it should demand increased control over *outcomes*. Agencies that are no longer accountable for so much process should become accountable for delivering results.

A few Federal programs, such as those funded by the Job Training Partnership Act, already collect information about outcomes. But most examination of results at the Federal level is done by Inspectors General, whose focus is almost entirely on who broke the rules or overspent their budgets. The Federal Government desperately needs a new focus on effectiveness: what outcomes is it buying with its money?

Based on the experience of other governments, both here and abroad, there are several keys to making performance measures work. The first is a legislative commitment to write desired outcomes into appropriations bills. (Some of these outcomes might be levels of satisfaction reported on customer surveys; some might be quantifiable accomplishments (percentage of welfare recipients placed in jobs; wage rates; retention rates; etc.); some might be subjective ratings by expert evaluators. For most programs, some combination of these three approaches yields a relatively good picture of performance.) Unless a legislature forces its members to pay attention to information about performance, they will rarely change their appropriations based on the success or failure of programs.

The second key is the creation of powerful incentives to achieve the desired outcomes. To motivate managers and their agencies, financial rewards should be attached to achievement of the performance goals. In some programs bonuses for managers might be most effective; in others, bonuses for all employees would be more powerful; and in some programs agencies should receive their money only for accomplishing specific goals (e.g., \$5,000 per welfare recipient placed in a private sector job).

When an agency exceeds its goals, its new performance level should become its expected base for the next year. In this way, the budget would ratchet up performance, year after year. (This approach is already used by some local governments and by portions of the Defense Logistics Agency. For a more detailed explanation, see *Reinventing Government*, chapter 5.)

The third key to success is the development of useful performance measures—often a difficult task. To help agencies develop useful performance measures, to ensure that measurement is honest, and to ensure broad publication of agency outcomes, a thoroughly nonpolitical body, somewhat like an auditor's office, is often necessary. Such an office could easily be set up within the General Accounting Office. It would work with agencies to develop their performance measures, work with the Inspector Generals' offices to reorient them toward evaluation of outcomes, and monitor performance measurement once it is in place. It would also publish objective information about agency outcomes, in highly popular, readable form. The goal should be the equivalent of a *Consumer Reports* for the Federal Government.

To help Federal, state and local agencies develop effective measures and improve their performance, Congress could also fund a series of Performance Institutes. Set up in partnership with think tanks like the Urban Institute and public policy schools like the Kennedy School of Government at Harvard and the Humphrey Institute at the University of Minnesota, they would provide technical assistance, consulting, and the like. They could raise some of their own money, by charging fees for their services.

Congress could require that a small percentage of the funds for every program be set aside to finance the development of performance measures, the measurement process itself, evaluation of performance measures, and agency efforts to improve performance. Part of this money would fund the Performance Institutes and a Performance Review Office with GAO. The rest would be used by agencies to fund internal activities, to pay for the services of a Performance Institute, or to hire consultants. The set-aside would apply to state and local governments that received Federal money as well as direct Federal programs. Ideally, the President could waive or reduce the set-aside for particular agencies or programs.

S.20, the "Government Performance and Results Act," offers much of what is necessary, and could be amended to include the other features recommended above. S. 20 would designate at least 10 Federal programs to operate as pilot projects in performance measurement for three years, beginning in fiscal year 1994. Each pilot would develop annual performance plans specifying measurable goals, followed by annual reports showing actual results. At least five of the pilots would also test the use of "managerial flexibility waivers"—exemptions from some existing administrative regulations, negotiated in return for specific performance targets higher than otherwise expected.

If the pilots proved successful, Congress would vote in 1997 on an administration proposal to mandate government-wide implementation of five-year strategic planning, goalsetting, and annual performance reports. Some agencies, whose results are impossible to quantify (e.g., the State Department), would be allowed to use qualitative rather than quantitative goals and measurement.

Finally, S. 20 would begin two-year pilot projects in performance-based budgeting in 1997, with the administration and Congress deciding whether to extend this approach to the rest of government in 1999.

This approach could be strengthened in three ways, in my opinion. First, it is a bit too leisurely. Were it followed, a true performance-based budget might not be in place until after President Clinton left office, even if he served two terms. This would create an enormous risk that a successor might kill the effort before it reached a critical mass. A rational timetable would ensure time to refine performance-based budgeting within the President's second term. It might begin *two-year* pilot projects in 1994 and government-wide use of performance measurement in 1997, while launching performance-budgeting pilots in 1996 and spreading the practice to most agencies by 1999.

Secondly, S. 20 does not require that Congress set performance goals, or desired outcomes, in its appropriations. As noted earlier, this has been a critical element in other experiments with performance measures; without it, the measures are often ignored by decision-makers.

Finally, S. 20 could be strengthened by building in a "Performance Set-Aside" to fund a Performance Review Office and Performance Institutes.

There are several other elements necessary in an effective budget system. Let me touch on just one of these: the creation of incentives for Federal agencies to raise non-tax revenue. With today's deficit, the Federal Government needs every penny of revenue it can generate. Yet the current system discourages agencies from raising non-tax revenues, because normal rules require them to turn over all such money to the Treasury. When a court-reporting firm offered the Federal Energy Regulatory Commission \$1.25 million a year for the privilege of transcribing its hearings and reselling transcripts, for instance, FERC turned the offer down. To the agency, it was a headache: FERC would not only have to set up a special account and monitor the contract, it would have to give all the money to the Treasury.

A new chapter in this story unfolds every day in the Federal bureaucracy. The Interior Department sells land at absurdly low prices. National Parks bumble along with outdated fee schedules and concession charges that are practically giveaways.⁴ The Customs Service lost \$204 on every vehicle it seized from drug dealers, according to a 1989 GAO report—principally because it paid towing and storage and then junked many cars.⁵

Why? Because Federal agencies have no incentive to earn money. When this incentive is altered, departmental behavior changes. In 1989, the GAO discovered that the Veterans' Administration had failed to recover \$223 million in health payments from third parties, such as insurance companies. Congress then allowed the VA to plow a portion of the third-party payments it recovered back into staff and equipment. Since 1989, it has recovered more than \$500 million.⁶

Aggressive efforts to raise revenues such as this could add up to significant money—perhaps \$10–20 billion a year. The task is to create incentives that impel agencies to go after such revenue. The solution is a budget system that allows agencies and individuals to keep some portion of all new non-tax revenues they generate.

Normal agencies should be allowed to keep half of any new non-tax revenues they generate, including revenues from fees. While only 50 percent of these revenues would go toward deficit reduction, 50 percent of a large number is better than 100 percent of a small number.

Individual employees should be allowed to keep 10 percent of any new revenues or savings their ideas generate during the first two years, up to a maximum of \$50,000. To get employees thinking about new revenues and major savings, we need to give them a real incentive. Typical suggestion programs, offering rewards of \$50 or \$100, have little impact. A number like \$50,000, in contrast, gets everyone's attention. Phoenix, which saves \$2 million a year this way, even shares the savings when an employee volunteers that his or her job is obsolete. (It also moves the person to a new city job.) The Federal Government should do the same.

REINVENTING THE CIVIL SERVICE

The personnel system we use to hire, promote, reward and fire Federal employees dates, in its basic outlines, from the early 20th century. Known as Civil Service, it was invented in 1883, and its last significant redesign took place in 1949. It successfully accomplished its original mission—to control political patronage and manipula-

tion of public employees. But today it is a straitjacket. Civil service is a personnel system for a government of clerks, when we need a government of knowledge workers.

The horror stories are legion. There are so many Federal personnel regulations (placed in a stack, they weigh 110 pounds) that OPM is funding development of an "expert system" to help personnel specialists navigate through them all. It takes the average Federal manager a year to fire an employee, even when he or she can prove that employee's incompetence.⁷ When layoffs occur, employees with seniority get to "bump" newer employees, regardless of their abilities or expertise or performance—so we end up with people in jobs they don't want and aren't trained to perform. "Even when the public sector finds outstanding candidates, the complexity of the hiring process often drives all but the most dedicated away," according to Paul Volcker's National Commission on the Public Service.⁸ We waste millions of dollars on personnel officers whose job it is to classify each employee within system so complex that it has 459 job series, 15 grades, and 10 steps within each grade. (The Office of Personnel Management, which does the classifying, had 6,872 employees.⁹)

An exhaustive study by the National Academy of Public Administration recently concluded that the classification system should be scrapped. According to the Academy, it is expensive, cumbersome, time-consuming, and intensely frustrating to managers. It often takes months to get positions classified and filled. Classification standards are "too complex, inflexible, outdated, and inaccurate." They "create rigid job hierarchies that cannot change with organizational structure." They "weaken the link between pay and performance." They drive high performers out of their fields of expertise into supervisory positions, to get higher pay, and they make it difficult to recruit quality employees.¹⁰

President Carter's Civil Service Reform Act of 1978, which created significant reforms at the upper end of the grade scale, also authorized a number of demonstration projects. Four of them have experimented with a different classification system, using only a handful of career paths and only four to six broad pay bands within each path. The first of these experiments took place at the Naval Weapons Center in China Lake, California, and the Naval Ocean Systems Center, in San Diego. Known as the "China Lake Experiment," it was a roaring success. It:

- classified all jobs in just five career paths (professional, technical, specialist, administrative, and clerical);
- folded all 15 GS (General Schedule) grades into four, five or six pay bands within each career path;
- allowed managers to pay market salaries to recruit people, to increase the pay of outstanding employees without having to reclassify them, and to give bonuses and salary increases based on performance;
- automatically moved employees who received repeated marginal performance evaluations down to the next pay band;
- limited bumping to one career path, and based it primarily on performance ratings, not seniority.

This new set of rules solved many of the problems the two naval facilities had encountered. Turnover rates declined, managers were able to retain more of their skilled employees, and more than 80 percent of the employees surveyed in 1987 preferred it to the old system.¹¹ A new OPM evaluation to be released soon reports continued success and establishes that over a decade, the experiment was cost neutral. In 1986, the Office of Personnel Management drafted legislation, called the Civil Service Simplification Act, that would have permitted other agencies to adopt the basic China Lake approach. But Congress took no action.

The three other demonstration projects have also been successful.¹² One included "gainsharing"—allowing employees to pocket some of the savings achieved through cooperative labor-management efforts to cut costs. It achieved \$5 million in productivity savings, improved performance, cut gown or grievances, complaints, sick leave, and absenteeism, and improved labor-management relations.¹³ OPM recently proposed a new pay framework, which would allow agencies to choose among different options for performance pay and award programs, with only a few core requirements.

Between OPM's proposals, NAPA's report, and the demonstration projects, a clear consensus has emerged. It is now time to act.

A bill to overhaul Civil Service would not abandon protections against political patronage and manipulation, nor expand the number of Federal political appointees. It would simply change the rules by which Civil Service operates, to create more flexible, performance-driven Federal organizations. The new approach should include:

- a broad-band pay and classification framework, drastically reducing the number of job classifications and grades and allowing more use of market salaries;
- widespread use of performance pay and gainsharing, with latitude for agencies to design their own systems;
- layoffs by a combination of performance and seniority, with greater weight given to performance;
- significant simplification of cumbersome personnel rules;
- further decentralization of the hiring process to the agencies, with OPM simply helping agencies advertise, recruit, and screen applicants;
- aggressive use of advertising, bonuses, and other recruitment devices;
- a streamlined appeals process when employees are fired for failure to perform;
- increased investments in training;
- and authority for a new round of demonstration projects, some of which would test alternatives to the current tenure system of Civil Service.¹⁴

There are many other issues to address, if we are to create the right incentives for Federal agencies and employees. For example, a concerted effort to deregulate the Federal bureaucracy, which is strangling in outdated rules and regulations, is necessary. Congress might use a Sunset Bill to accomplish this, as well as to weed out obsolete programs. Federal procurement could also use a great deal of streamlining. And Federal accounting standards need rethinking, to inject depreciation into the treatment of Federal assets. For a discussion of these and other issues, I would refer the committee to Chapter 12 of the book *Mandate For Change*, put together by the Progressive Policy Institute and published by Berkley Books. As you address these issues, I would be glad to help in any way. I would also be happy to volunteer the services of a new organization I have founded, along with Scott Fosler, Barbara Dyer and Neal Peirce of the National Academy of Public Administration, called the Alliance for Redesigning Government. Designed as a network to help those around the country who are struggling to reinvent their governments, it could be a valuable source of information and advice as you think through the challenges involved in improving the Federal Government's performance.

In conclusion, let me return to the issue of a commission to restructure the Federal Government. I cannot stress how important I believe such a commission is to the success of your efforts—and the administration's efforts—to improve the performance of the Federal bureaucracy. The six month Performance Audit announced by President Clinton and chaired by Vice President Gore is an excellent start. But changes on the scale we are discussing are very difficult to make through the traditional political process of submitting individual bills to Congress. Every Federal program and every Federal grant has an organized constituency, which will defend it to the bitter end. Proposals to change hundreds of programs, one by one, will be defeated and diluted, one by one. As Machiavelli wrote almost 500 years ago, "There is no more delicate matter to take in hand, nor more dangerous to conduct, nor more doubtful in its success, than to set up as a leader in the introduction of changes. For he who innovates will have for his enemies all those who are well off under the existing order of things, and only lukewarm supporters in those who might be better off under the new."¹⁵

If a restructuring effort is to succeed in delivering significant results, it must develop a few comprehensive, coherent proposals, which Congress must be required to vote up or down, without amendment. In a battle limited to one vote, the general interest can win out over the special interests. This is of course the model that brought success to the Base Closing Commission. I believe Congress should move quickly to authorize a commission, chaired by Vice President Gore, to continue the work of the Performance Audit.

In designing such a commission, I believe several things are important. First, the commission must be given jurisdiction to change not only programs, but *systems*—civil service, the budget system, and so on. Second, the commission should have more than one opportunity to make a proposal. Senator Roth's bill allows for five proposals; Senators Lieberman and Kerrey would allow the commission to be renewed for a second term, if desired. Both are good ideas. Third, if the public is to take the commission seriously, it needs to see a sense of urgency. Hence I favor a deadline of one year or less for introduction of at least the first commission proposal. I believe a commission that takes two years to accomplish anything will not be taken seriously by the public. Finally, the commission should be quite small: perhaps five members. The more members, the less the commission will accomplish and the more its proposals will be watered down. We need decisive, dramatic, and rapid action. Such action rarely comes from committees of 12 or 14.

In closing, let me simply stress what a rare opportunity this Congress has before it. The public is angry. New political organizations—from United We Stand to the Concord Coalition to Lead or Leave—are demanding action on the deficit. If you can unite on one commission bill, their leaders will embrace it. Ross Perot has already communicated his enthusiasm for such a commission. The public wants deeper spending cuts, and it wants to see the Federal Government deliver efficient, effective service for its tax dollars. A commission with teeth—with some form of “fast-track” authority—can deliver both. If you act, the people will support you.

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10. National Academy of Public Administration, *Modernizing Federal Classification: An Opportunity for Excellence* (Washington, D.C.: July 1991), pp. xxv, 1, 2, 17–18, 19, E–1–2.
11. See Wilson, *Bureaucracy*, pp. 146–148.
12. See National Academy of Public Administration, *Modernizing Federal Classification*, Appendix E, and Public Employee Department, *Reinvigorating The Public Service: Union Innovations To Improve Government* (Washington, D.C.: AFL–CIO, March 1992), pp. 34–46.
13. Public Employee Department, *ibid.*
14. One demonstration project might test an approach under which new hires would work for three to five years before they were eligible for the job security protections of Civil Service, and agencies would choose to promote to Civil Service status only those who demonstrated excellent performance. Another might test the elimination of tenure for new hires in non-policy positions, coupled with continued use of objective hiring and firing criteria, such as exams and interviews by neutral personnel experts, to protect against patronage decisions. The uncoupling of lifetime tenure from objective, nonpolitical hiring and firing is one area that has not yet been adequately explored.
15. Niccolo Machiavelli, *The Prince*, 1532, (New York: Dover Publications, 1992), p. 13.

PREPARED STATEMENT OF MARTIN L. GROSS

Before I describe the results of my two years of research on the enormous waste and inefficiencies built into the Federal Government, let me express my gratitude to this Senate committee for its openness in seeking out criticism.

Like millions of other Americans, I am fearful that the success of our great nation is in jeopardy, that *something* has distorted the socioeconomic base and well-being of our people.

I am convinced that the unknown *something* is our bloated, unproductive Federal Government whose expenditures are excessive, and whose programs do not generally benefit the great mass of the American public.

The Federal bureaucracy seems to concentrate mainly on filling the needs of special groups of Americans—whether they be the rich, farmers, lumber companies, banks, lawyers, unwed mothers, lobbyists, doctors, ranchers, hospitals, and the bureaucrats themselves—virtually anyone you can think of except the hard-working, hard-pressed middle class.

Our brilliant founding fathers anticipated 1993. Jefferson and Madison warned of the “oligarchy” of the central government and wrote the 10th Amendment to prevent it. They set up a system of local independence and state sovereignty with a Federal umbrella to do those things the states could not do for themselves. For the first 185 years of our existence the system served us well. Americans were the least oppressed, least taxed, and less intruded upon people on earth.

Even the so-called “big government” of the 1930s was relatively efficient. In 1938, FDR fed much of the Nation and spent less than 8% of the GNP. From 1947 to 1952, Harry Truman brought in a nine billion dollar surplus despite the cost of the Marshall Plan, the Korean War and the GI Bill, of which I was one of many beneficiaries. It was the last piece of truly successful social legislation for the great mass of Americans. The total cost of government—Federal, state and local—was then in the low 20 percent range, and the long bond carried less than 3% interest.

By 1960, the end of Dwight Eisenhower's second term, the Nation was still in excellent shape and our Federal debt was smaller in real dollars than it had been at the end of WWII.

The average working middle-class person paid little in taxes, and the Federal Government gave citizens enough breathing space to allow the Nation to flourish.

Now all that has changed. Our taxes and debt have never been higher. Our unproductive, bloated Federal Government spends 24% of the GNP. With the states and localities, the cost reaches to almost 42%, an enormous burden on our people.

For the first time in our history—in fact in the history of any Western industrial democracy—there are more people working in government at all levels than in manufacturing: 18.7 million in government and 18.1 million in manufacturing.

Government employment has almost tripled in 30 years—four times faster than the population—while manufacturing, especially in the last two decades, has been in steady decline. It's not difficult to interpret that equation. Government jobs that drain the economy have replaced the manufacturing jobs that made the Nation rich. It must be obvious that the rise of one and the decline of the other are not unrelated.

Our debt is now \$4.2 trillion and the yearly interest costs have reached \$300 billion a year. The deficit for fiscal 1993 has been estimated at \$325 billion, but that does not include the \$100 billion the government annually takes from the trust funds, especially the Social Security and Medicare surpluses. That makes the true deficit \$425 billion.

The typical working family has two wage earners. Yet with Federal income taxes, social security and Medicare taxes, state income taxes, sales taxes and local property taxes, they have a hard time making ends meet. Corporate America, in order to compete world-wide, has cut its management and working force, and laid off millions of bewildered citizens. Despite our victory in the Cold War, our sense of well-being is eroding.

There are several causes, but I believe that the main one is the burden of a wasteful, unproductive Federal Government which seems to thrive on an expensive bureaucracy and social and economic programs that do not work.

How did we reach this state of affairs?

Paradoxically, the failure is due to a decent American trait, gone wild. By 1960 we had achieved a good society, probably the best in human history. But the government, following our Judeo-Christian ethic, sought *perfectibility*.

To do this, we dropped the constitutional concept of local independence guaranteed by the 10th Amendment, one which had made us great. Ignoring Madison's warning, we began to imitate the national governments of Europe. The problem is that they have a tradition of centralized government and we do not. Our attempts to imitate them have been without success. And in the process, we have lost our own identity and our expertise at local independence. The result is obvious. We now have the worst of both worlds. Not only have we failed to achieve “perfectability,” but the Good Society that began it all is disappearing before our very eyes.

Our version of centralized government is, by and large, pitiful. The Ministries of Education in Europe, for example, educate all their children and are accountable. Our Department of Education educates not one single child and spends \$33 billion a year. Our Department of Transportation transports only a handful of people. Our Department of Energy provides cheap power for only a small number of Americans. The budget claims that we spend \$90 billion on our children. Apparently they skipped over mine, or my grandchildren. But in Germany, without any means test—

the same policy we followed after WWII in the GI Bill—every child receives *Kindergeld* each month from the government. It helps to sustain the poor and makes middle class families stronger.

We are now engaged in a great debate to correct our nation's basic problem: the bloated nature, cost, waste, inefficiencies, unaccountability and errors of Washington. Since this hearing deals with the executive branch, I will try to limit my remarks to that area.

In my two years of research into the subject, including a close reading of the entire 2000 page, 190,000 item Federal budget, I have found that approximately \$300 billion dollars a year is wasted or spent unnecessarily. It is now the Nation's main task to locate that waste and cut it from the budget. This would make all tax increases unnecessary and end our financial dilemma.

Here then are scores of examples of major waste and bloat that I have found through my research, and which can easily be cut from the Federal budget. The result will be a near-zero deficit at the end of four years of effort.

(1) The first item of substantial waste is the size of the Federal bureaucracy, one of the major special interests. We now have 2.26 million Federal employees, not counting the Post Office or the military. FDR's so-called "big government" had 625,000 employees. The population has doubled, which should give us 1.3 employees.

But today the Defense Department alone has almost 1 million civilian employees, or four times as many per serviceman as in World War II. The Department of Agriculture has 60,000 people serving farmers—three times as many as under FDR even though we have only one-third as many farmers. By the year 2040, following that progression, there will be one D of A employee for every full time farmer.

The Forest Service had 4,000 people under FDR, and now has 35,000 employees even though our forests are no larger.

The Federal bureaucracy is top heavy in management. There are 237,000 official "managers" and 116,000 upper-level specialists who would be called executives in the commercial world. This makes one executive for every five workers, an excessive ratio, especially today as private firms are drastically downsizing management.

Conservatively, we can cut 650,000 positions out of the Federal bureaucracy, or somewhat less than one-third. The Office of Personnel Management tells me that the attrition rate is 7%: 160,000 Federal employees leave or retire each year. In five years, that is 800,000. Rehiring 150,000 so-called "essential" people, leaves a net reduction of 650,000. The savings, just in salary and benefits, are \$36 billion a year by the fourth year, or \$144 billion over the life of a four-year administration.

(2) The overhead of the Federal bureaucracy is ridiculously high, and expertly hidden in the budget. There are no listings for consultants, or decorating, or travel, or computers, etc. Instead, the largest agency item in the budget is often the unspecific "Other Services," which totals \$170 billion per year. This huge slushfund of cash enables the agencies to waste as much money as they like. The *total* overhead—not counting salaries, or benefits, or entitlements, just paperclips to limos—is \$270 billion, as large as the entire national budget of France, and \$120,000 per Federal employee.

We need to cut out at least one third of this. This will be facilitated by the reduction in the number of employees, plus steps outlined ahead. The eventual savings could be \$81 billion a year, or \$324 billion over a four year period.

(3) Overlap and Duplication. This is not a friendly Washington lawyer-lobbyist firm. The Federal bureaucracy likes to assign different agencies the same workload. Job training is funded by 48 sources in 14 different agencies at a cost of \$17 billion. Ten agencies handle environmental protection; infant mortality is handled by three; native Americans by 14. The *Agriculture* Department supports a youth center in inner city Bridgeport, Connecticut. Head Start, an educational program, comes out of HHS.

Consolidate the government. Assign each mission to a single agency and save billions.

(4) False pundits say we cannot cut much of the budget because the entitlements take so much money. The reality is that the two largest, the FICA entitlements of Social Security and Medicare, actually *support* the rest of government, not vice versa. The huge surpluses generated by Social Security and Medicare taxes not only go to help the aged, but much of it is "borrowed" (without a negotiable Treasury bond) to finance the bloated government. This year the Federal Government will take \$56 billion from the Social Security Fund. The tab is now \$380 billion and growing. In forty years, they will have taken trillions and there will be no money left for the baby boomers—unless they raise the FICA taxes enormously or add to the giant debt.

Social Security funds should be segregated from the general treasury, and set up as a separate entity run by a board appointed by the President and confirmed by the Senate. No monies should be loaned to the government, unless a negotiable instrument is given to the Social Security fund in return. Surpluses should be invested in any government-guaranteed bonds and securities.

Even Medicare has suffered from Federal "borrowing." As of today, the government has taken \$120 billion from Medicare taxes to pay other bills of the government.

(5) Medicare and Medicaid need to be redesigned to save billions. We should eliminate the \$2.5 billion a year expenditure from Medicare funds for medical student education and more billions taken from Medicare for expansion of our already over-expanded hospital system, which now has 35% empty beds, a world record.

Medicaid is suffering under two enormous burdens. The first is that well children and adults receiving Aid to Families with Dependent Children routinely use hospital emergency rooms, often at a cost of \$200 or more per visit, to check sore throats and other minor ailments. This practice should be stopped and less expensive clinics established. Secondly, nursing homes, which can cost Medicaid \$50,000 a year per patient, should, in many cases, be taken out of the "hospital" category, eliminating up to half the cost.

Total savings: at least \$20 billion a year.

(6) One giant entitlement whose costs can be cut significantly is the pension system for Federal civilian and military personnel, which is now approaching \$70 billion a year. Under the decade-old FERS retirement plan, civilian Federal employees can retire at 55 and receive a Social Security Supplement so that they need not wait, like the rest of us, to 62. On average, civilian retirees receive 70% of their highest wage, plus COLAS, which quickly brings their retirement payment back to their original pay.

We should cut initial retirement pay to a maximum of 50% of average wage of the last five years. In addition, we should stop paying the \$3.5 billion health insurance premium for civilian retirees. Instead, the health plan should be made available to them at cost.

The savings will be at least \$20 billion a year.

(7) Farm subsidies have cost us \$190 billion in the last decade and raised the price of food 12%. The wool subsidy, which was designed to increase production, has resulted in one-third as much wool after the expenditure of billions. The honey subsidy makes no economic sense at all. The milk subsidy, designed to keep milk prices high, production steady or lower, and dairy farmers working, has resulted in the opposite.

Instead, there has been an enormous *reduction* in the number of dairy farmers, from 5 million to 220,000. A 1986 \$1.8 billion "Termination", program to limit production by killing cows has failed, and there has been a subsequent rise in milk production. The cost of the subsidy program has been \$20 billion to taxpayers and \$40 billion in higher milk prices to consumers. We should eliminate all controls and subsidies on milk production, with large savings.

Subsidies for crops designed to maintain the family farm have failed. Says the General Accounting Office official in charge of farm oversight: The program has almost nothing to do with farm production. It was a sociological boondoggle which has helped both the part-time farmer who has a job elsewhere, and the millionaire farmer. It has been of little value to the small family farmer who the program was designed for, but who is being put out of business.

The "0-92" program pays farmers who plant no crops, 92% of what they would normally get *if* they worked. Such programs should be eliminated.

Close the honey, wool and mohair and dairy programs now. Phase out all other farm subsidies over four years. Savings of \$60 billion.

(8) Washington is an unregulated bank that is bleeding us. This "Big Bank on the Potomac" has \$6.1 *trillion* out in direct and guaranteed loans. Washington expects a default of \$352 billion, but this is unrealistically low, as we have seen in the S & L scandal. Of the \$9 billion loaned out by the Export-Import Bank, for example, \$6 billion is expected to default.

Close the Export-Import Bank, freeze all non-collateral activities and scale back the trillions outstanding by calling in as many loans as possible. Multi-billions in savings.

(9) The Farmers Home Administration has over \$50 billions outstanding in loans to farmers, and they recently excused \$10 billion as part of the Agricultural Credit Act. Despite that, the same farmers are eligible for new government-backed loans. Non-farmers in rural areas get mortgages for as low as 1% interest, the envy of suburbanites. Start to phase out the entire operation. Multibillions saved.

(10) Washington pays \$3 billion for overhead to universities which do health and scientific research under government grants. However, much of the overhead money is squandered on yachts, fresh flowers, limousines, trips to the Cayman Islands and Dublin for a soccer match, even \$7000 for bedsheets for a university president's new bride. Cut the overhead down by \$2 billion.

(11) Tech transfer is wasting billions in the lost opportunity to implement valuable patents. Government-employee and contract scientists created 11,000 patented inventions in the 1980-90 period. Of these, only 1,400 were licensed for use by private industry despite two pieces of Congressional legislation designed to expedite transfer to commercial firms. The research costs \$17 billion a year, but government auditors say that the problem is that industry is not properly informed about new inventions made by government scientists. When I asked the National Institutes of Science and Technology people why they didn't advertise the inventions in the *Wall Street Journal* or on the patent page of the *New York Times*, their answer was startling. "We can't afford it," a spokesperson said. MIT, on the other hand, does an excellent job licensing inventions subsidized by the government. Perhaps we should place MIT in charge of government tech transfer.

(12) Government bureaucrats love to travel. It costs \$7 billion a year, but the amount is listed nowhere in the Federal budget. To make sure all the money is spent, travel goes up almost 50% in the last month of the fiscal year. Cut the travel budget in half, and save over \$3 billion a year. Also put limits on expenses during travel. At one meeting of government employees in Scottsdale, Arizona, they spent \$99 each on dinner.

(13) I learned (the government didn't know) that we spend between \$1.3 and \$2 billion a year on decorating Federal offices—as much as the entire budget of the state of North Dakota. The perfectly good used furniture is given away. Put a four year freeze on redecorating, a saving of at least \$5 billion.

(14) The budget needs redesigning. At present it is a masterpiece of obfuscation. Scores of items are not broken out (true overhead, travel, decorating, consultants, computers, etc.) making them difficult to pinpoint and thus cut. The overlap and duplication are not taken into account so the true cost of any activity—whether job training or education—is not compiled or listed.

The budget office and the agencies are the offenders. The individual agency budgets are really a presentation of last year's budget plus additional staff, projects and raises for inflation. Thus, they contain all the waste, outdated programs, forgotten programs, and the hidden costs of the last fifty years, falsely presented as if it is a true budget of the present needs of the agency.

We must start Zero Based Budgeting, a process that begins with today and with a "0" base, after which we determine what is needed to run the agency, rather than what is. The savings will be in the multibillions.

(15) In addition to the regular bureaucracy, the government employs thousands of contract consultants. When queried, Federal employees admitted to \$200 million a year use of consultants. But this Senate committee intelligently sought a GAO audit. The result was not \$200 million. They found that \$4.9 billion was actually spent in a recent year on outside consultants. Some observers believe the true figure could be twice that. Cut out all outside consultants except essential technical ones and save at least \$4 billion a year.

(16) The government mishandles our Federal resources, especially land, water and energy. They are in the habit of buying high and selling low, wasting billions. Mineral land is now sold for \$2.50 an acre, including Nevada property near gambling casinos worth \$200,000 an acre. One man bought a parcel of possible oil land cheaply and quickly sold it to an oil company for \$37 million.

We sell much of the U.S. Forest Service timber below cost, and build roads at a cost of \$200 million a year so that lumber companies can come in to get it, helping to create a \$2 billion annual agency deficit.

Taxpayer subsidized water is given away free to millionaire Imperial Valley farmers. Our subsidized electricity from the Hoover Dam is sold to Nevada Power to light up Las Vegas gambling casinos for 1 cent a kilowatt while Americans pay 8-10 cents and more.

When we buy, we pay high—\$100 million for a piece of land *outside* the Manassas Historic Battlefield and \$50,000 an acre for raw forest land for the Redwood National Park, at a cost of over \$1 billion.

Stop the practice. Sell all resources at market price and save billions.

(17) Eliminate over-age, useless projects such as the Rural Electrification Administration, which basically finished its job in 1960. Savings of \$300 million in interest subsidies plus hundreds of millions more in future defaults.

Eliminate the 30 year-old Appalachian Regional Commission. Citizens there had incomes 20% below the National average then. Today? The same.

There are over 2,000 home economists in the Agriculture Department's Extension Service. They used to visit farmer wives and educate them about nutrition, canning, preserves, etc. Now they have switched to urban areas, but do not make any house calls. Eliminate the program with great savings.

The same is true of farm county agents in non-farm areas. Close those positions and offices.

(18) Cut out foolish subsidies that have backfired. We subsidized the Rural Telephone Bank in 1949. Since then many of the organizations have sold out to utility giants such as Alltel and GTE, who have used the subsidized firm's contracts with the government to borrow money at low rates. They have now borrowed \$1 billion aggregate from the Treasury at 5% interest, well below what we pay to get the money. Cut out the program and save at least \$25 million a year.

(19) Eliminate the "Essential Air Program," except for Alaska and other isolated area. Today, the government spends \$290 a passenger on Skymaster Airlines so that skiers to Killington, Vermont, for example, won't have to drive from New Hampshire, only some 40 miles away. A similar subsidy is given a small airline to take wealthy Washingtonians to Hots Springs, Virginia, where the hotel charges over \$300 a day. Savings? At least \$30 million a year.

(20) Stop financing wealthy professionals with taxpayer money on loans from the Small Business Administration. After much effort, I learned that in a recent two-year period, the SBA guaranteed a *half billion* dollars in loans for doctors, lawyers, dentists, accountants, etc., who could easily get credit from banks. Government-guaranteed loans are given to firms with as much as \$20 million a year revenue, and 1,500 employees. Meanwhile, truly needy small businessmen are turned away. We should examine the idea of closing the entire SBA and transfer its disaster relief to another agency. Savings in the hundreds of millions.

(21) The student loan program wastes billions of dollars and simultaneously keeps middle class families from receiving meaningful loans. Instead, offer college loans to everyone, regardless of income, but save \$3.5 billion a year in defaults by requiring an employer-IRS payback system. Cut bank subsidies, which are now 2% over prime, saving almost \$2 billion more. Eliminate \$6 billion spent on Pell Grants as unnecessary in this new system.

(22) Begin welfare reform by placing the entire program under one roof, with one budget that can be plainly seen and evaluated for its true cost. Only then can we weigh the cost of alternatives such as federally-guaranteed jobs, etc. Food stamps, WIC (Women, Infants, and Children) and school lunches are now under Agriculture; AFDC (Aid to Families With Dependent Children) is handled by HHS; aid for heating by the Department of Energy; housing by HUD.

AFDC has an illogical program that provides up to 80% matching grants for such poor states as Arkansas and Mississippi. "Richer" states, with a much higher cost of living, such as Connecticut and New York, get only 50% matching grants. Yet Connecticut pays out an average of \$600 cash a month and has a net cost of \$300. Arkansas pays out closer to \$300 a month and has a net cost of \$60, only *one-fifth* as much.

The formula should be adjusted to make sense. The government's highest matching grant should be reduced to 50%, saving multibillions.

Food stamps should be replaced by grocery credit cards, cutting out the \$2 billion or more wasted each year when recipients sell their stamps for cash.

(23) Two World War I hangovers should be eliminated. One is the fertilizer plant run by the TVA which costs \$25 million a year. The other is the \$1 billion worth of helium, enough to last 100 years, stored in Texas. It should be sold off over a period of 10 years, at an eventual saving of over \$100 million a year.

(24) The Federal Government now has 4000 publicists. That number should be cut in half.

(25) The Government Printing Office competes with private printers who are more efficient and cheaper. The present in-house government operation costs \$150 million a year. Closing it, and giving the work out for competitive bidding will save \$75 million.

(26) The present Department of Education programs for disadvantaged children have failed. Non-profit groups have recently reported back that there is virtually no improvement in performance by children enrolled in the Chapter I program. The Department of Education agrees. A chief evaluator at the department explained to me, in some detail, that there are very small gains in the early years, but that those gains disappear as the child progresses.

Eliminate the Chapter I and II programs and save \$13 billion a year. If help is to be given, it should be in the form of minimum-wage college students tutoring the children on a one-to-one basis.

Even with that more practical plan, there would be savings of at least \$6 billion a year.

(27) Subways receive excessive subsidies from the Federal Government, which has already spent \$70 billion on transportation systems that are generally not self-sustaining or well used. The program should be cut back drastically. The Metro in Washington costs the taxpayers \$8 billion, plus large yearly subsidies. In addition, all Federal agencies are empowered to give each government worker in the Washington area \$250 a year to ride the Metro in order to fill up its under-utilized trains.

(28) Both the President's and Vice President's staffs are too large and should be drastically cut back. The announced cut in the White House staff is insufficient and mainly affects lower-level employees, with only a small reduction in personnel costs. Harry Truman had 285 people in addition to the budget group; JFK had 375. The present White House staff is still over 1000.

When Harry Truman was Vice President he had the small office off the Senate and three clerks. He lived in a two bedroom apartment on Connecticut Avenue and paid the \$140 a month rent out of his \$10,000 salary. Today's VP, whether Democratic or Republican, lives in a Navy mansion, has a \$50,000 housekeeper, three offices (HST's old one, a suite in the Executive Office Building and another in the White House), several cars, a jet plane, a \$90,000 entertainment allowance and over 50 employees at last count. Even the wife of the Vice President had a staff of 11.

Both operations should be scaled back substantially.

(29) Close the 8000 small post offices that do not deliver mail, and replace them with RFD systems. Savings of at least \$100 million a year.

(30) The National Archives, started in 1934 to save historic documents has done a good job with the Declaration of Independence, etc. But it has grown into a bureaucratic monster that each year saves enough "historic" paper to fill a football field 37 feet into the air. They have 14 warehouses full of paper (enough to fill that football field 350 feet high) and spend \$165 million a year. In addition, they are building a new \$300 million building in College Park, Maryland. Cut the operation down by 2/3rds and save over \$100 million a year.

(31) The Federal bureaucracy is addicted to cars. The government owns 340,000 non-military non-postal vehicles. They cost 3 billion and \$1 billion a year for upkeep. (We don't see them because the fleets have no decals on their doors.) Government auditors say most of the cars are unnecessary. Either reimburse government workers with 28 cents a mile for business use, or sell the great majority of the vehicles and use rental cars. Savings of more than 50%, or a half billion a year.

(32) Eliminate the advertising programs paid for by taxpayers which give large firms such as Sunkist, Gallo, McDonalds—and foreign companies as well—millions of dollars in grants to advertise their products overseas. Savings of \$1 billion over four years.

(33) Cut out cost-plus-profit-plus-overhead contracts with private industry. A study of a handful of such Department of Energy contracts showed millions of dollars uselessly spent on entertainment, liquor, even a dance instructor for a party.

(34) The Federal bureaucracy has hundreds of limousines and thousands of drivers. Provide a limo and driver only for the President, VP, Cabinet officers and heads of FBI, CIA, Chief Justice, Joint Chief. Sell all the other limousines and restrict portal-to-portal operations which cost \$100,000 each to these people.

(35) The executive branch owns 1,200 private airplanes—Beechcraft, Gulfstream, Learjets, etc. Most are used for the transportation of government personnel, and often their spouses and guests as well. Many are falsely labeled as being used for "technical" missions. There are 25 different makes of planes, each with different spare parts. The planes cost \$3 billion to buy and \$1 billion a year to keep up. In addition, the bureaucracy leases another 5,000 planes a year at a cost of \$100 million. Sell most of the planes and have government personnel use only economy-priced commercial airlines.

(36) Repeal the Davis-Bacon Act which adds billions to the cost of federally subsidized highways.

(37) Reform the Pension Benefit Guaranty Corporation operation so that all companies covered will be required to have their pension promises to employees fully-funded. Right now, for example, General Motors is short over \$7 billion dollars while it has continued to pay executive bonuses and dividends. The insurance fund is now in deficit, and could be bankrupt if more firms like Eastern and Pan Am go belly-up. The possible closing of bankrupt TWA, for instance, could cost the fund \$1 billion.

(38) Despite the near-depression in commercial real estate, the availability of cheap office space throughout the country, and 15 million square feet of vacant space in Federal buildings, the government continues to build new structures. At present, 70 are in the planning or construction stage at a cost of \$8 billion. Even

the Pentagon, as it drastically cuts the armed forces, plans to expand the Pentagon building. They have asked Congress for \$112 million for a new wing on the famous structure so that they can accommodate several thousand new personnel.

Freeze all building plans for the next five years and utilize available space, including millions of square feet of offices in military establishments that are being closed.

In this testimony, I have tried to outline some of the items of government waste and inefficiency that I have personally researched for my book, *The Government Racket: Washington Waste from A to Z*. In addition to these, I have omitted others because of the constraints of time and space. There are also potential cuts listed in the President's less ambitious plan, and still others that were developed by Mr. Panetta prior to his being named Budget Director.

Together, they easily constitute enough spending reductions to downsize the overly expensive Federal Government and virtually balance the budget, eliminating almost all the deficit without any need for new taxes.

I have also tried to suggest methods of improving the organization of the executive branch, including eliminating overlap and duplication by having one agency handle one mission, whether it be job training, welfare, environmental protection, aid to native Americans, research or education. This will not only save billions but make the agencies more responsive to the public and the objectives of the government.

Clearly, the budgeting process must be reformed. The present budget is not a fresh document but rather one based on last year's budget, which itself incorporates all the waste and unnecessary expenditures going back a half century—and now translated into current outlays. The Zero Based Budgeting concept should be enacted into law, handling perhaps several agencies each year until the entire executive branch has been placed under that scrutiny over a period of perhaps five years. The exercise will not only be academic but fiscally rewarding.

Secondly, there should be more consultation between the Congress and the Executive Branch prior to submission of the new budget by the President. In many ways, the activity is adversarial rather than collaborative, no matter which party is in power. During the year prior to budget submission, various conferences between Federal agencies and Congressional committees should be carried on so that there is some measure of agreement by the time the budget is formally drawn up.

Thirdly, the Congressional oversight agency, the General Accounting Office, and the executive oversight people in the Inspector General offices should be involved in the budget process as well. Often they have the best view of what needs to be cut, or fixed, or amended.

Next, the budget must be written in clearer, more comprehensive terms so that the public can rapidly see how much is actually being spent on every activity—with a complete set of headings. It should not require information from the Inspector General of the Department of Labor to learn that \$17 billion, not \$4 billion, is being spent on job training. Nor should an author like myself have to dig out the fact that as much as \$2 billion a year is wasted on decorating. The practice of obfuscation, so well and so long practiced by the Office of Management and Budget, should finally be stopped. The vague heading of "Other Services," for example, must be broken down into its dozens of sub-headings, even if painful disclosures embarrass the agencies involved.

Reform of the Executive Branch might, paradoxically, require three new positions. One is a Chief Operating Officer whose job will approximate that of a CEO in a corporation. He would be named by the President and confirmed by Congress. The present position of Chief of Staff is too closely tied to the political performance of the President. The Chief Operating Officer will oversee the daily operation of the executive branch—reporting to the President—insuring greater efficiency at every level.

The second position should be a Chief Financial Officer whose duties will not be those of the Budget Director, which is also a quasi-political job tied to the goals of the administration. The CFO would, instead, see that the Federal funds are spent efficiently and that the "books" of the Nation are in order, and accurate.

Perhaps the most important new position would be that of a National Inspector General, an independent post whose term would overlap administrations. The NIG would work with the General Accounting Office and the various IGs of the executive branch, overseeing the entire government operation, and reporting back to the American people on waste and inefficiency every three months.

I hope that my research into the problems of waste and reorganization of the executive branch has been of value to this committee, and will eventually prove of value to our nation.

PREPARED STATEMENT OF PERI E. ARNOLD

I am very pleased to testify to the Committee on the subject of government reorganization and reform. I have studied federal executive reorganization and administrative reform, aided by grants from the Ford Foundation and the American Council of Learned Societies. My research is reported in a book titled *Making the Managerial Presidency* and in a number of articles and book chapters. I shall offer the Committee some thoughts on the lessons we might draw from the history of executive reorganization in the national government. The past has a hold on the way we see the world. How many members of this Committee are thinking that to create as a commission on government reform is to create another Hoover Commission? In my brief statement I hope to convince you that history's lesson for contemporary executive reorganization is that it is a mistake to recreate the Hoover Commission. The task in front of this committee is to design a new approach to executive branch reform.

The Committee is considering four bills to establish commissions for reform of the executive branch. While these bills share the goal of reform, they differ in important details regarding mode of appointment, specification of responsibilities, and means for reporting recommendations. Should it choose to recommend a bill to the Senate, this Committee must make choices about the design of executive reorganization. I hope that my remarks drawing on the history of reorganization might influence the way the Committee thinks about the goals of reform and the way it thinks about its choices about approaches to reform.

I want to pose two questions to organize my testimony. First, what has past executive reorganization aimed at and achieved in American government? Second, what specific guidance does the past give for the design of a current executive reorganization commission.

1. What is Executive Reorganization and What Has it Accomplished?

By executive reorganization I mean the process of planning comprehensive reform of the executive branch of government. During this century, eleven formal committees or commissions conducted comprehensive reorganization of the national government. They differ in their degree of success. However, they shared similar goals, though the first one, President Theodore Roosevelt's 1905 Keep Commission, and the most recent, President Carter's Reorganization Project, were seventy-five years apart.

Executive reorganization was a tool to make the executive branch more manageable by presidents and more capable of the administrative tasks of expanding government. The Brownlow Committee (President's Committee on Administrative Management, 1936) is the key to modern executive reorganization. Its *Report* is the classic conception of administrative reform of the executive branch. The committee offered three guiding principles. One, *presidential control*: the president must be strengthened as a manager of the executive branch. Two, *institutional streamlining*: as much as possible, government's independent agencies should be incorporated within executive branch structures. Three, *organizational rationality*: organizations with like-purposes should be organizationally integrated. Economy was not a chief aim of executive reorganization.

Three reorganization commission precede the Brownlow Committee: The Keep Commission of 1905, the President's Committee on Economy and Efficiency of 1912, and the Joint Committee on Reorganization of 1920. Administrative reform in the nineteenth century had been a congressional concern. Beginning with Theodore Roosevelt's Keep Commission, twentieth century presidents wrested reorganization concerns from Congress and imposed a centralizing perspective on reorganization. The Brownlow Committee's recommendations brought that perspective to its logical conclusion in its principles of presidential control, institutional streamlining, and organizational rationality.

The Brownlow Committee approach to the management of expanding government shaped the seven subsequent episodes of executive reorganization. Five were presidentially initiated: the President Eisenhower's Advisory Committee on Government Organization, President Johnson's two reorganization task forces, President Nixon's Ash Council, and President Carter's Reorganization Project.

The best known modern reorganization efforts, the two Hoover Commissions (1946 and 1953) were initiated by the Republican 80th and 83rd Congresses. Its members were appointed in tripartite fashion by leaders in Congress and the President. The legislative intent for the commissions was that, unlike the Brownlow Committee, they would reverse government's growth and spending. Yet, by and large, even the two Hoover commissions produced Brownlow-like recommendations for increased presidential control, streamlining the executive branch, and the inte-

gration of organizations by purpose. Their recommendations for reduced spending were largely ignored by the President and Congress.

Thus we learn from the history of executive reorganization that it has long been an exercise combining a concern with presidential managerial capacity and organizational architecture. What has all of this achieved? Executive reorganization proposed and reshaped the Executive Office of the President. It has increased the coherence of cabinet-level departments by relocating agencies on the basis of purpose or function. Finally, recommendations have improved administrative processes such as accounting procedures and personnel systems. Executive reorganization modernized the executive branch during this century, but has it produced more effective government programs? Has executive reorganization identified programs for elimination? Has executive reorganization reduced spending? To all three questions, the answer is, rarely, at best.

I present the case of the second Hoover Commission to illustrate past resistance to reducing programs through executive reorganization. A 1958 report by this Committee found that the commission's recommendations for procedural improvements, such as budget and accounting and the processing of paperwork, were adopted overwhelmingly. But, the report found the commission's proposed reductions in government's programs, such as in water resources programs or government credit programs, had a low rate of adoption.

What is the relevance of history for this Committee's decisions? Past reorganizations have been about government's organizational architecture in times of growing government and not about economy and constraining government. But today's concern is with government's efficacy in a time of budget deficits. If the Committee's aim is to use executive reorganization to improve the way government works and reductions in what government spends, it is not enough to repeat past efforts at executive reorganization. There is no reason to think that reshaping organizations or streamlining bureaucracies will create more effective programs. Restructuring organization may have particular benefits in specific cases, but it is not a general panacea for making government more effective and less expensive.

TURNING TO THE DESIGN OF EXECUTIVE REORGANIZATION

To make government work better and less expensively the questions we must ask are about the justification, benefits, costs, and management of programs. Executive reorganization as we have practiced it in the past is not a suitable tool to address these questions. Organizational architecture and executive branch management are secondary to the problem of program performance. If we are to engage in executive reorganization, this Committee must design a means for executive reorganization that fits the tool to our pressing new problems.

What new characteristics would executive reorganization need to be suitable for our current reform goals? As we face different reform goals, are there any lessons from past reorganization episodes that can shed light on this question? In what follows I shall offer some comments regarding each of four aspects of any reorganization planning mechanism: one, its authorization or goals; two, its members and staff personnel; three, the style of its recommendations; and four, the ground rules for recommendation.

1. What Should be a Commission's Charge: Historically, executive reorganization commissions have been charged to recommend reforms in management and organization. To authorize a new commission with such language will be to direct it away from what should be its most important concern—government's program performance. Statutory language for a new commission should charge it to assess governmental programs, identify possible reforms and reductions, and to recommend these to the President and Congress.

The fact that successful past executive reorganization shied away from evaluating programs is a warning signal. Members of this Committee know that there are few friendless government programs. Organizational reform in the past was often easy because organizational reshuffling left programs intact. Both Hoover Commissions made recommendations for program reduction or elimination of programs. Yet, this Committee must direct a commission to address program performance. Once it is charged to aim at program performance, the commission's chances of success will depend on several other choices that will be made by this Committee, the way it justifies its recommendations, and the ground rules established for consideration of those recommendations.

2. What Kinds of Commissioners? What Kinds of Staff? Individuals who are experienced in government are more likely to be critical and innovative about government than people who are inexperienced. We might think that private sector managers are what the doctor ordered to fix government, but past reorganization commissions teach us that business executives are timid reformers. There will be politi-

cal pressures to appoint illustrious outsiders, and one or two of those kinds of appointments will help for symbolic reasons. But the majority of commissioners should be both illustrious and experienced with government.

The Ash Council illustrates my point. President Nixon appointed six people to his Ash Council, all of them connected with business and only one of them had significant government experience. Its chair was Roy Ash of Litton Industries. Other members were Dean George Baker of the Harvard Business School, John Connolly, a corporate lawyer, former governor of Texas, and former navy secretary, Frederick Kappel, chairman of A.T.&T., Richard M. Paget, of the consulting firm Cresap, McCormick, and Paget, and Walter Thayer, president of Whitney Communications. Astoundingly, a commission made up of these prominent businessmen produced recommendations that were remarkably Brownlow-like. Its foci were top level management and organizational architecture. Innovation requires familiarity with the target of innovation. Without a grasp of government and its problems, a commission is more likely to fall back upon old concepts of reform.

Regarding staff, I have two observations. First, there is no need to keep rediscovering the same treasure. Among the Office of Management and Budget, the Government Accounting Office, committees of the Senate and House, and now in the President's National Performance Review, information will be plentiful about program performance and agency efficiency. These data should be shared with a new commission as it sets out to assess government's programs. The first thing a new commission needs is a staff to liaison with these other agencies. They may be detailed from those agencies. The second thing the commission will need is a staff that knows government's programs. What is true for the commissioners is doubly true for the staff. You cannot redesign what you do not know. As a general rule, government's most thoughtful and creative critics will be found among the best people working for government. As an example of my point, President Carter's Personnel Management Project used a staff of senior civil servants to effect the most far reaching modern reform of the civil service. A means to harness such people would be in commission task forces assigned to specific program areas.

3. *What Should the Commission be Expected to Recommend?* This Committee should establish two requirements for a commission's recommendations. One, recommendations should address programs and not agencies. Government's activities are better understood in terms of functions and services than in terms of organizations. It may well be that the commission would choose to reform organizations, but those recommendations should offer programmatic justifications for organizational changes. Two, with an eye on achieving public support for reorganization, the commission's public report should offer clear and vivid justifications for its individual recommendations. A public that is informed about the justification for reorganization recommendations would counterbalance the defenders of programs threatened with reform.

4. *Processing Recommendations.* Past executive reorganization commissions have had problems getting a serious hearing for their most controversial recommendations. For example, while the Brownlow Committee reported its recommendations in January 1937, none of its recommendations were passed into law until 1939. The two Hoover Commissions' recommendations that gained a quick consideration by Congress were those that were least controversial. How can a commission's controversial recommendations be guaranteed a timely hearing?

Rather than being sent piecemeal to Congress, the commission's recommendations should be presented to the president and then Congress as a package and be given priority access to the congressional agenda. Presentation as a package allows the Congress to see the logic of the commission's whole approach to governmental reform.

CONCLUSION

Finally, there are historical moments when political support forms for genuine reform. We have entered such a period. Today the demand is for change in government itself, making government more effective in what it does and more efficient in the way it uses scarce resources. This Committee has an historic opportunity to participate in a movement for reform that will make government work better and raise it in the esteem of the people. As a citizen, and as a scholar of government, my hope is that you can fit the tools of executive reorganization to the task of our current problems. Much depends on what you do here. The health of the republic hangs on our ability to grasp the opportunity of reform that is presented in this historical moment.



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